

Coastal Carolina University

Conway, South Carolina



Comprehensive Annual Financial Report



Included in the Higher Education Fund
of the State of South Carolina

For the Fiscal Year Ended June 30, 2006



Coastal Carolina University

Conway, South Carolina

Comprehensive Annual Financial Report

Included in the Higher Education Fund, an Enterprise Fund of the State of South Carolina

For the Fiscal Year Ended June 30, 2006

**Prepared by the Office of the Associate Vice President of Finance
and the
Office of the Vice President for Finance and Administration**

COASTAL CAROLINA UNIVERSITY
FINANCIAL STATEMENTS
For the Year Ended June 30, 2006

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COASTAL CAROLINA UNIVERSITY COMPREHENSIVE ANNUAL FINANCIAL REPORT



INTRODUCTORY SECTION

President's Letter 2006



Dear Coastal Carolina Friends:

In my 2006 State of the University remarks, I reminded the audience of three pivotal dates in the history of Coastal Carolina – 1954, 1974, and 1993. In 1954, a group of Horry citizens gathered to found Coastal Carolina Junior College. In 1974, USC Coastal Carolina College became a four-year degree-granting institution. In 1993, Governor Carroll Campbell signed legislation establishing Coastal Carolina as an independent, public university.

In September, the University honored three individuals who played principal roles in forecasting, planning, and executing the last of those dates – 1993. Speakers observed the University's remarkable, even astonishing, growth and development between 1993 and the present:

	<u>1993</u>	<u>2006</u>	<u>Percent Change</u>
Headcount Enrollment	4,450	7,880	77%
E & G Expenditures	\$25M	\$108M	330%
State Appropriations	\$9.6M	\$13.6M	42%
Faculty	185	255	38%
Endowment	\$2.5M	\$15.2M	508%

- New undergraduate programs (12): Chemistry, Communication, Economics, Health Promotions, Middle Grades Education, Music, Musical Theater, Philosophy, Physics, Resort Tourism Management, Spanish, Special Education,
- New graduate programs: MAT (Education), Marine and Wetland Studies, MBA
- \$14M 50th Anniversary Initiatives Campaign (Exceeding \$10 million goal)
- Adoption of a revised University Strategic Plan addressing all aspects of the future of the University. The Board of Trustees approved the plan in July 2006.

Throughout this period of rapid change, Coastal Carolina has maintained a well-established reputation for effective use of resources integrated with strategic planning. I am proud of this institution's reputation for sound fiscal practices and public accountability.

Sincerely,

A handwritten signature in black ink that reads "Ronald R. Ingle". The signature is fluid and cursive, with the first name "Ronald" and last name "Ingle" clearly legible.

Ronald R. Ingle
President





COASTAL CAROLINA UNIVERSITY

Vice President for Finance and Administration

LETTER OF TRANSMITTAL

September 28, 2006

To the President and
Members of the Board of Trustees:

We are pleased to present to you the Comprehensive Annual Financial Report of Coastal Carolina University for the fiscal year ended June 30, 2006.

This report consists of management's representations concerning the finances of Coastal Carolina University. Consequently, management accepts full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the University has established a comprehensive internal control framework that is designed both to protect the University's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the University's financial statements in conformity with generally accepted accounting principles. Because the cost of internal controls should not outweigh their benefits, the University's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The University's financial statements have been audited by Walda Wildman, LLC, a licensed certified public accountant. The goal of the independent audit was to provide reasonable assurance that the financial statements of the University for the fiscal year ended June 30, 2006, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the University's financial statements for the

fiscal year ended June 30, 2006, are fairly presented in conformity with generally accepted accounting principles. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the University was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only the fair presentation of the financial statements but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are included in this comprehensive annual financial report.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The University's MD&A can be found immediately following the report of the independent auditor.

Profile of the University

Coastal Carolina University was founded in 1954 by a group of Horry County citizens who lent their vision and support to bringing higher education to the local area. Initially a two-year college, the new school was supported by private funds, and was operated under the auspices of the College of Charleston. A referendum in 1958 resulted in a county property tax millage being made available for the support of the college, and Coastal entered into an agreement in 1959 with the University of South Carolina to become a campus of the University System. In 1963, with the support of the Coastal Educational Foundation, Inc. and the Horry County Higher Education Commission, the college moved to its current location, with the completion of the Edward M. Singleton Administration Building.

Coastal Carolina College became a four-year institution in 1974, awarding baccalaureate degrees in several areas. During the decade of the 1980's, Coastal Carolina College experienced a dramatic growth, with the enrollment doubling in size from approximately 2,000 to 4,000 students.

In 1991, the Coastal Educational Foundation, Inc. and the Horry County Higher Education Commission voted to seek legislative approval to establish an independent Coastal Carolina University. The University of South Carolina president and Board of Trustees agreed to the proposed independence for Coastal. In the 1993 session, the South Carolina legislature established Coastal Carolina University as an independent state-supported institution, effective July 1, 1993. The university for the first time had acquired

its own Board of Trustees, which met July 1, 1993, and named Ronald R. Ingle as the university's first president.

Coastal Carolina University began offering its first graduate programs in education in the fall of 1993. Today, the university offers more than 40 baccalaureate degree programs through its four academic colleges and six graduate programs. Coastal houses approximately 2,200 students on or near campus, with a total FTE enrollment of approximately 7,000. Although available space continues to lag behind the need for educational space, Coastal has grown from the one building in 1963 to 52 buildings totaling approximately 1.2 million square feet.

Economic Environment

Coastal Carolina University's financial profile fits more closely with that of a private institution than with a typical public institution. The university is highly dependent on tuition revenues, with more than 56 percent of its total net revenues coming from student tuition and fees, while only 14 percent of its net revenues come from state appropriations. Because the university is required to charge out-of-state students the full cost of their education, these student revenues make up more than 59 percent of all tuition, although only 41 percent of students are from out-of-state.

The state economic outlook has improved somewhat in the past year related to the support of higher education. However, as revenue streams begin to improve, it is the consensus among state higher education policy analysts that funding for K-12 and human service programs will continue to consume the lion's share of any recovery proceeds. The legislature has continued to earmark South Carolina Education Lottery funding for tuition assistance directly to students and institutional technology projects. For fiscal year 2006-07 a minor restoration of funding was available for general operations in higher education. For Coastal Carolina University, this increase was allocated as a non-recurring appropriation of \$2.358 million. The fiscal year 2007 state budget appropriated to the University for general operations now represents 102 per cent of the amount appropriated for fiscal year 2001. During the same time period Coastal has experienced the largest enrollment growth in its history, an increase of approximately 68 percent in FTE enrollment.

The University is located nine miles from Myrtle Beach, one of the fastest growing metropolitan areas in the United States. The growth of the surrounding area continues to impact the University's potential for growth. In addition, the local technical college, Horry-Georgetown Tech, has experienced similar growth in enrollment, preparing many more students for transfer to Coastal Carolina University for their junior and senior years.

The University's in-state tuition is at about the median point in the state, which continues to give management the choice of raising resident tuition while still being competitive in South Carolina.

The University operates six auxiliary enterprises which have helped to build and sustain cash reserves in tight economic times. The first five consist of the bookstore (outsourced to Follett's), housing (operated by the University), vending (outsourced to Pepsi-Cola and C.A. Timbes, Inc.), food service (outsourced to Aramark), and health services (outsourced to Conway Medical Center in fiscal 2006, but newly operated by the University in fiscal 2007). The sixth, a cooperative program with Horry Georgetown Technical College, is the operation of Quail Creek Golf Course, which is also open to the public. This enterprise was added in fiscal year 2006 as a required complement to the University's professional golf management course of study.

The University is also fortunate to receive county appropriations from both Horry County and Georgetown County. This gives the University flexibility to take on specific projects in the interest of the citizens of each of those counties which also benefits the entire University community.

Long-Term Financial Planning

Coastal Carolina University accomplishes long-term financial planning through its ongoing strategic planning process and through periodic updates to its campus master plan. The strategic planning process, which is an ongoing and active process of planning and assessment, emphasizes the integration of resource allocation and planning, and is refreshed every semester with real data related to current enrollment and student demographics. As a part of the strategic planning process, these strategic directions have been identified which are derived from the mission statement, and which define Coastal's institutional identity:

- **Build a predominantly undergraduate university with a reputation for excellence in teaching.**
- **Promote a learning process that is inquiry-based, participatory, and includes current and emerging technology.**
- **Offer high quality academic programs founded in the traditional arts and sciences that prepare graduates to become contributing members of a global community.**
- **Support a teacher-scholar model for faculty performance with emphasis on student-faculty interaction and mentoring.**
- **Develop graduate programs based upon strong undergraduate programming and on meeting local needs.**
- **Promote programs and initiatives that encourage collaboration with other higher education institutions, public schools, local citizens, and the business community.**

- **Recruit qualified students and provide a learning environment and quality of life for these students that enhance all facets of their development and campus community experience.**
- **Direct administrative processes that are informed by management data and that integrate financial considerations with institutional planning for maximum effectiveness and service.**

The University's Campus Master Plan, updated in 2004, provides a strong base and clear direction to institutional development. Details of the Campus Master Plan process are available on the University's web site www.coastal.edu/masterplan.

Relevant Financial Policies

In addition to being guided by its own Master Plan, the University is a part of state government in South Carolina, and as such, follows state law and policies regarding procurement, construction, human resource practices, contract and grant funding and other operating practices. A budget is submitted annually to the Governor's Office, which is built on a robust internal budget process. University budget policies are built on the strategic plan, the campus master plan, and current enrollment data. When borrowing funds for capital projects is necessary, the University accomplishes this by working through staff in the State Treasurer's Office.

Major Initiatives

The University has taken on an ambitious expansion and renovation schedule for 2006-08. Over 70 projects, totaling almost \$12 million are in process over the next two years. These include extensive renovations to the student center, library, auditorium and classroom buildings, roof and shingle replacements on several buildings, electrical and HVAC upgrades, expansion of fiber optic networks and wireless capabilities, several athletic and intramural field improvements, the first phase of an athletic field house, and the installation of irrigation systems. General obligation bonds in the amount of \$11.3 million will fund these improvements. In addition, the University is diligently seeking to either lease or build a replacement facility for MBA and other credit classes in Myrtle Beach. The former Myrtle Square Mall location was torn down in the fall of 2005.

The University will also spend considerable time in the fall and early spring interviewing and hiring a president to replace Dr. Ronald R. Ingle, who retires in June 2007.

Awards and Acknowledgements

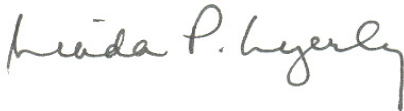
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Coastal Carolina University for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2005.

This was the fourth year that the University received this prestigious award. In order to be awarded a Certificate of Achievement, the University published an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report is the result of dedicated teamwork by the staff in the departments of Finance and Administration, Institutional Research and Assessment, Information Technology Services, and Printing Services. A good report depends as much on data integrity at the level of each transaction as it does on statistical analysis and spreadsheet preparation. In these days when more is expected ever sooner, we appreciate the hard work and good humor of staff members and their adherence to quality professional standards. Significant credit is also due to the President and Board of Trustees for their hands-on leadership, dedication, vision, and encouragement to each member of the University community to strive for excellence. The staff especially appreciates the invaluable guidance and encouragement of the University's external auditor, Walda Wildman, LLC.

Respectfully submitted,



Linda P. Lyerly, M. S. Ed., M. Acc.
Associate Vice President for Finance



Richard N. Weldon, J. D.
Vice President for Finance & Administration

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Coastal Carolina University,
South Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Carla E. Perry

President

Jeffrey R. Emer

Executive Director

COASTAL CAROLINA UNIVERSITY
BOARD OF TRUSTEES
2006-2007

Marshall C. Sanford, Jr.	Ex Officio Chairman
Clark B. Parker	First Congressional District - Seat One
Robert L. Rabon	First Congressional District - Seat Two
Oran P. Smith	Second Congressional District - Seat Three
James F. Kane	Second Congressional District - Seat Four
William S. Biggs	Third Congressional District - Seat Five
William L. Lyles, Jr.	Third Congressional District - Seat Six
Charles J. Hodge, Chair	Fourth Congressional District - Seat Seven
Tommy M. Stringer	Fourth Congressional District - Seat Eight
Samuel J. Swad	Fifth Congressional District - Seat Nine
Robert D. Brown	Fifth Congressional District - Seat Ten
Fred F. DuBard, Jr.	Sixth Congressional District - Seat Eleven
J. Wayne George	Sixth Congressional District - Seat Twelve
Eugene C. Spivey	At-Large - Seat Thirteen
William H. Alford	At-Large - Seat Fourteen
Daniel W. R. Moore, Sr.	At-Large - Seat Fifteen
Samuel H. Frink	Gubernatorial Designee
Joseph L. Carter	Gubernatorial Appointee
Gene Anderson	Trustee Emeritus
Payne H. Barnette, Jr.	Trustee Emeritus
Cathy B. Harvin	Trustee Emerita
Dean P. Hudson	Trustee Emeritus
James J. Johnson	Trustee Emeritus
Juli S. Powers	Trustee Emerita
Keith S. Smith	Trustee Emeritus

COASTAL CAROLINA UNIVERSITY
ADMINISTRATIVE OFFICERS
2006-2007

Ronald R. Ingle, Ph.D.	President
David A. DeCenzo, Ph.D.	Provost
Sally M. Horner, Ph.D.	Executive Liaison to the President
Richard N. Weldon, J.D.	Vice President, Finance and Administration
Marvin Marozas, B.S.	Vice Pres., Information Tech Services., Chief Information Officer
Edgar L. Dyer, J.D.	Vice President, University Relations/Legal Counsel
William D. Nicholson II, M.A.	Vice President, University Advancement
Janis W. Chesson, Ph.D.	Vice Pres., Organizational Dev., Human Res. & Equal Opp.
Lynn Willett, Ph.D.	Vice President, Student Affairs
Judy W. Vogt, Ed.D.	Vice President, Enrollment Services
Linda P. Lysterly, M.Acc.	Associate Vice President, Finance
Warren Koegel, B.S.	Director of Athletics
Dennis G. Wiseman, Ph.D.	Associate Provost, Academics/Director, Graduate Studies
Colleen A. Lohr, Ph.D.	Associate Provost, Administration & Academic Services
Harold Stowe	Acting Dean, External, Wall College of Business
Sam Wathen, Ph.D.	Interim Dean, Operations, Wall College of Business
Joan F. Piroch, Ph.D.	Interim Dean, College of Natural and Applied Sciences
William Richardson, Ph.D.	Dean, Edwards College of Humanities & Fine Arts
Gilbert H. Hunt, Ph.D.	Dean, Spadoni College of Education
Michael M. Lackey,	Interim Dean, Library Services
Stan R. Godshall, M.B.A.	Associate Vice President, Executive Director of Foundations
Deborah K. Conner, Ph.D.	Associate Vice President, University Relations
Frances B. Gilbert, M.B.A.	Associate Vice President for Advancement
Richard H. Moore, Ph.D.	Assistant Vice President, Grants & Sponsored Research
Anne T. Monk, B.A.	Assistant Vice President, Marketing Communication
Keith S. Smith, M.S.	Director, Business and Contractual Services
Christine L. Mee, M.Ed.	Director, Institutional Research and Assessment
David A. Bredekamp, B.S.	Internal Auditor

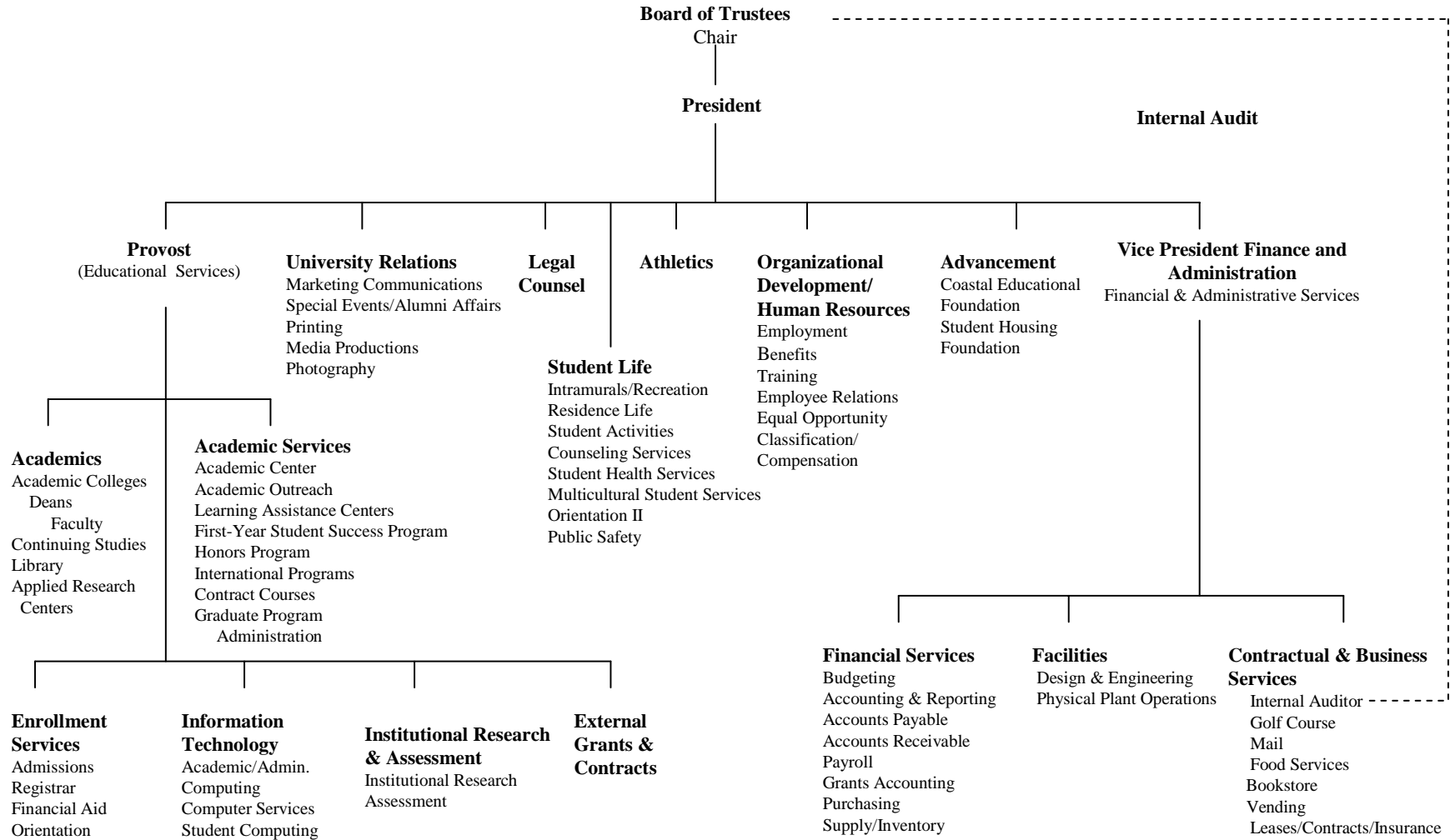
COASTAL CAROLINA UNIVERSITY

BUSINESS AND FINANCE OFFICERS

2006-2007

Richard N. Weldon	<i>Vice President for Finance and Administration</i>
Brenda Cox	<i>Administrative Coordinator</i>
Linda P. Lyerly	<i>Associate Vice President of Finance</i>
Mirinda C. Chestnut	<i>Administrative Specialist</i>
Stacie Bowie	<i>Controller</i>
Pat West	<i>Director, Campus Payment Services</i>
Bill Douglas	<i>Payroll Manager, Payroll</i>
Jill Sokolik	<i>Assistant Payroll Manager, Payroll</i>
Sherrell Richardson	<i>Accountant, Payroll</i>
Vicky Rabon	<i>Supervisor, Accounts Payable/Travel</i>
Virginia Altman	<i>Fiscal Technician, Accounts Payable/Travel</i>
Brenda Rabon	<i>Fiscal Technician, Accounts Payable/Travel (Athletics)</i>
Lila Taylor	<i>Fiscal Technician, Accounts Payable/Travel (Provost)</i>
Tammy Holt	<i>Grants Accountant</i>
Tammy Hardee	<i>Fiscal Technician, Grants Accounting</i>
Regina Lee	<i>Director, University Receivables</i>
Lill Heit	<i>University Receivables Accountant</i>
Brian Kramer	<i>Bursar</i>
Elaine Bridges	<i>Head Cashier, Bursar</i>
Sheila Mooney	<i>Fiscal Technician, Bursar</i>
Patty Dudley	<i>Fiscal Technician, Collections, Bursar</i>
Carolyn Singleton	<i>Tuition Payment Plan Coordinator, Bursar</i>
Annie Johnson	<i>Fiscal Technician, Bursar</i>
Michael O'Toole	<i>Campus Card Technician</i>
Bob Lundgren	<i>Senior Accountant, Financial Accounting</i>
Tim Martin	<i>Budget Director</i>
Mary Slaby	<i>Finance Director, University Advancement</i>
Julianne Hughes	<i>Fiscal Technician, University Advancement</i>
Randall F. Cox	<i>Director, Procurement</i>
Robin B. Strickland	<i>Procurement Officer, Procurement</i>
June Barfield	<i>Procurement Officer, Procurement</i>
Caren Riedinger	<i>Procurement Officer, Procurement</i>
Sabra Kelly	<i>Administrative Specialist, Procurement</i>
Suzanne Beverly	<i>Supply Manager, Campus Supply/Inventory</i>
Faye Tyler	<i>Supply Specialist, Campus Supply/Delivery</i>
Greg Edwards	<i>Supply Specialist, Campus Supply/Delivery</i>
John McKee	<i>Supply Specialist Temporary, Campus Supply/Delivery</i>
Keith Smith	<i>Director, Business and Contractual Services</i>
Outsourced:	
	<i>Aramark Food Services, Follett Bookstore, Pepsi-Cola Bottling Co., C.A. Timbes, Inc.</i>
David A. Bredekamp	<i>Internal Auditor</i>

Coastal Carolina University Organizational Chart by Function



8/16/06



COASTAL CAROLINA UNIVERSITY COMPREHENSIVE ANNUAL FINANCIAL REPORT



FINANCIAL SECTION

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

RICHARD H. GILBERT, JR., CPA
DEPUTY STATE AUDITOR

(803) 253-4160
FAX (803) 343-0723

September 21, 2006

The Honorable Mark Sanford, Governor
and
Members of the Board of Trustees
Coastal Carolina University
Conway, South Carolina

This report on the audit of the basic financial statements of Coastal Carolina University and the accompanying schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, for the fiscal year ended June 30, 2006, was issued by Walda Wildman, LLC, Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

If you have any questions regarding this report, please let us know.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Richard H. Gilbert, Jr.", written in a cursive style.

Richard H. Gilbert, Jr., CPA
Deputy State Auditor

RHGir/trb

WALDA WILDMAN, LLC
CERTIFIED PUBLIC ACCOUNTANT

Synergy Business Park · Congaree Building · 121 Executive Center Drive · Suite 206
Columbia, South Carolina · 29210
Telephone 803.216.9800 · Fax 803.216.9498

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

September 12, 2006

Mr. Richard H. Gilbert, Jr., CPA
Deputy State Auditor
Office of the State Auditor
State of South Carolina
Columbia, South Carolina

I have audited the accompanying basic financial statements of Coastal Carolina University as of June 30, 2006, and for the year then ended as listed in the table of contents. These financial statements are the responsibility of the organization's management. My responsibility is to express an opinion on these financial statements based on my audit. I did not audit the financial statements of the Coastal Educational Foundation which statements reflect total assets of \$23,778,448 June 30, 2006, and total revenues of \$3,988,538 for the year then ended. Those financial statements were audited by other auditors whose report has been furnished to me, and my opinion on the financial statements, insofar as it relates to the amounts included for the discretely presented component unit, Coastal Educational Foundation, is based on the report of the other auditors.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

As described in Note 1 to the financial statements, the University's financial statements are intended to present the financial position, results of operations, and cash flows of only that portion of the financial reporting entity of the State of South Carolina that is attributable to the transactions of the University. These financial statements do not include other funds, enterprises or component units of the State. These financial statements are not intended to present fairly the financial position of the State of South Carolina as of June 30, 2006, and changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America, and do not include other agencies, divisions, or component units of the State of South Carolina.

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the University as of June 30, 2006, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated September 12, 2006 on my consideration of the University's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The Management's Discussion and Analysis as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Government Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedules required by the Office of the South Carolina Comptroller General, as listed in the table of contents, are presented for purposes of additional analysis as required by the Office of the South Carolina Comptroller General and are not a required part of the basic financial statements of Coastal Carolina University. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole. The information in the Introductory and Statistical Sections, as listed in the table of contents, is presented for purposes of additional analysis has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on it.

Walda Wildman LLC

WALDA WILDMAN, LLC
Certified Public Accountant



Coastal Carolina University Management's Discussion and Analysis

Coastal Carolina University is pleased to present its financial report for the year ended June 30, 2006. This section, Management's Discussion and Analysis, will describe each of the statements, present a condensed, comparative version of each one, and offer financial highlights of the year.

Using the Annual Financial Report

The University's financial statements have been prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. During fiscal 2004, the University implemented GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units – An Amendment of GASB Statement No. 14*, and incorporated one non-governmental component unit, the Coastal Educational Foundation. In fiscal year 2005, the CCU Student Housing Foundation was determined to be a second component unit, primarily due to its close relationship to the growth plans of the institution.

The basic financial statements prescribed by GASB No. 35 (the Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets, and the

Statement of Cash Flows) are prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

The Statement of Net Assets includes all assets and liabilities of the University. Over time, increases or decreases in net assets (the difference between assets and liabilities) is one indicator of the improvement or erosion of the University's financial health when considered with non-financial facts such as enrollment levels and the condition of facilities.

The Statement of Revenues, Expenses and Changes in Net Assets presents the revenues earned and the expenses incurred during the year. Activities are reported as either operating or non-operating. A public university's dependency on state aid and gifts usually produces an operating deficit because the financial reporting model classifies state appropriations and gifts as non-operating revenues. The utilization of capital assets is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

The Statement of Cash Flows presents information related to cash inflows and outflows summarized by operating, non-capital financing, capital financing and related investing activities, and helps measure the ability to meet financial obligations as they mature.

Financial Highlights

Enrollment at the University has continued to grow at a healthy rate. The undergraduate full-time equivalency (FTE) enrollment for the fall of 2005 was 6,120, representing a 5.3% increase over the previous fall, and a 38% increase over five years. This was fueled by an 18% increase in applications for undergraduate admissions over the previous year, and 72% over five years. In the fall of 2005, the University implemented an in-state tuition increase of 12.46% and an out-of-state increase of 6.34%. This kept Coastal's in-state rate close to the average rate of higher education offered by South Carolina public institutions with a similar mission.

The University entered its first year of a lease and operation of the Quail Creek Golf Course, adjacent to campus. This facility is a joint collaborative project between Coastal Carolina University and Horry Georgetown Technical College. The operation complements the academic programs of professional golf management and turf management at the respective institutions and involves extensive student participation. In addition to the generation of dedicated student fees required for participation in the professional golf management program, the course is open to the public and generated auxiliary revenues of almost \$1 million.

The past year was highlighted by continued physical plant expansion and major renovations. The entire faculty and staff of the Spadoni College of Education moved from the traditional home of the college, Kearns Hall, into the Foundation Center in the fall of 2005. Kearns Hall is undergoing a complete renovation, with assistance from \$1.2 million of research infrastructure bond proceeds funding from the state.

The University also fully occupied the 115,000 sq. ft. Coastal Science Center, a former manufacturing facility first occupied in the fall of 2004, spending an additional \$1.4 million in FY06 to make this facility responsive to the needs of science instruction.

Escalating fuel costs and facilities expansion combined to raise utilities costs significantly. The University paid almost \$650,000 more for electricity and natural gas, representing 139% of the fiscal year 2005 expenditures for these items.

The University continued to receive State lottery funds in support of technology, as well as a record \$6.37 million in scholarships to S.C. residents, funded by the lottery and other state sources.

In the spring of 2006, the University community began preliminary discussions regarding desired qualifications for a new president to replace Dr. Ronald R. Ingle, who will retire in June of 2007. A professional search firm was engaged to coordinate the process.

Statement of Net Assets

During fiscal year 2006 total assets of the University increased by \$6.07 million. This was mainly comprised of an increase in current assets of \$5.2 million and an increase in net capital assets of \$1.02 million.

- The increase in current assets was primarily the result of an increase in unrestricted cash of \$2.4 million and an increase in restricted cash for debt service and capital projects of \$2.7 million. Accounts receivable, net, increased by \$113 thousand. Other slight increases were balanced by a decrease in amounts due from component units. Detail of restricted assets can be found in Note 3 to the financial statements. Detail of accounts receivable is available in Note 4 to the financial statements.
- The slight increase in net capital assets of approximately \$1.02 million was due to an increase in accumulated depreciation of \$2.9 million, a net increase of \$192 thousand construction in progress,

addition of \$3.1 million in building and land improvements, and the net increase after retirements of \$660 thousand worth of equipment, vehicles, and software.

Current liabilities increased by approximately \$639 thousand. This increase was mainly comprised of an increase of \$364 thousand in payroll and related liabilities, \$163 thousand in funds held for others, \$397 thousand in unearned revenues, \$66 thousand in current obligations on long term liabilities, and a decrease of \$346 thousand in accounts and intergovernmental funds payable.

- Payroll and related liabilities increased partly due to a 3% raise for permanent employees authorized by the state at the beginning of the fiscal year. In addition, new faculty and staff are being added to keep pace with growing enrollment.
- The \$397 thousand increase in unearned revenues was mainly related to a \$258 thousand increase in deferred operating grant revenue. An increase in unearned student fees of \$121 thousand and unearned football ticket revenue of \$45 thousand was offset by decreases in unearned vending revenue of \$107 thousand.

Non-current liabilities were down approximately \$1.1 million. Contributing to this decrease were scheduled reductions in bonds payable and capital lease payable of \$1.3 million, and an increase of about \$123 thousand in accrued compensated absences. The increase in capital assets, as described in the total assets narrative above, was due in part to completion of the following projects:

Projects completed:

Replacement, Kimbel Library boiler	\$ 125,660
Replacement, Singleton Building windows	258,585
Upgrade, Marine and Wetlands warehouse	110,000
Remodeling, Coastal Science Center	2,543,069
Remodeling, Band Practice Hall	102,895
	<hr/>
	\$ 3,140,209
	<hr/>

The increase of \$2.4 million in restricted – expendable net assets is due to an increase in the amount of state institutional capital projects funds and funds restricted for debt service on hand, part of a plan to build the institution’s capital reserve to handle future facilities expansion related to enrollment growth.

The increase in unrestricted net assets of \$1.8 million represents an increase in general operating funds of approximately \$1.4 million. This was partly due to delays in planned leasing of a replacement facility for classes held at the

demolished Myrtle Square Mall. In addition, new faculty hires which are needed to keep pace with enrollment growth have progressed more slowly than planned. Auxiliary net assets increased \$381 thousand, fueled by effective cost cutting measures implemented in University housing.

Condensed Summary of Net Assets				
	2006	2005	Increase/ (Decrease)	Per Cent Change
Assets				
Current assets	\$ 23,098,703	\$ 17,856,286	\$ 5,242,417	29%
Capital assets, net	90,052,295	89,029,931	1,022,364	1%
Other assets	1,480,317	1,673,669	(193,352)	-12%
Total Assets	114,631,315	108,559,886	6,071,429	6%
Liabilities				
Current liabilities	8,290,477	7,651,285	639,192	8%
Non-current liabilities	35,185,228	36,314,283	(1,129,055)	-3%
Total Liabilities	43,475,705	43,965,568	(489,863)	-1%
Net Assets				
Invested in capital assets, net of debt	57,050,243	54,822,552	2,227,691	4%
Restricted - non-expendable	97,953	102,626	(4,673)	-5%
Restricted - expendable	3,119,736	637,981	2,481,755	389%
Unrestricted	10,887,678	9,031,159	1,856,519	21%
Total Net Assets	\$ 71,155,610	\$ 64,594,318	\$ 6,561,292	10%

Statement of Revenues, Expenses, and Changes in Net Assets

Total Revenues – increase of \$13.7 million

A \$13.7 million increase in total revenue was comprised of a \$10.7 million increase in operating revenues and a \$3 million increase in non-operating revenues.

By far the largest increase in operating revenues was an \$8.1 million or 19% increase in student tuition and fee revenue. This increase was a result of both the 12.46% in-state and the 6.34% out-of-state tuition increases and the 5.3% full-time equivalency enrollment increase. Other operating revenue increases included approximately:

- \$1 million in scholarships and contracts, comprised of an increase of \$725 thousand in state funded scholarships; a

decrease of \$246 thousand in federal scholarships, and an increase of \$479 thousand in other scholarship and sponsored grants revenue.

- \$1.4 million increase in sales and services of educational activities and auxiliary enterprises. The principal impetus for this increase was the addition of the golf course in fiscal year 2006, which produced revenues of \$956 thousand.

The \$3 million increase in non-operating revenues was comprised of an increase of \$1.7 million in state appropriations and a \$1.5 million increase in capital grants and appropriations.

- The former included a supplemental appropriation of \$500 thousand for science instruction. In addition, due to a change required by the state in how certain revenue is classified, lottery funds for technology expenditures of \$800 thousand were reported this year as appropriations rather than grants to institutions as in prior years. A decrease in gifts reflected a true increase tempered by the moving of the lottery technology funds mentioned above to appropriations.
- The increase in capital grants and appropriations included \$1.2 million in state research infrastructure bond proceeds for renovation of Kearns Hall, and a FEMA hazard mitigation grant for window replacements in the Singleton administration building of \$194 thousand, matched by the state at 25%.

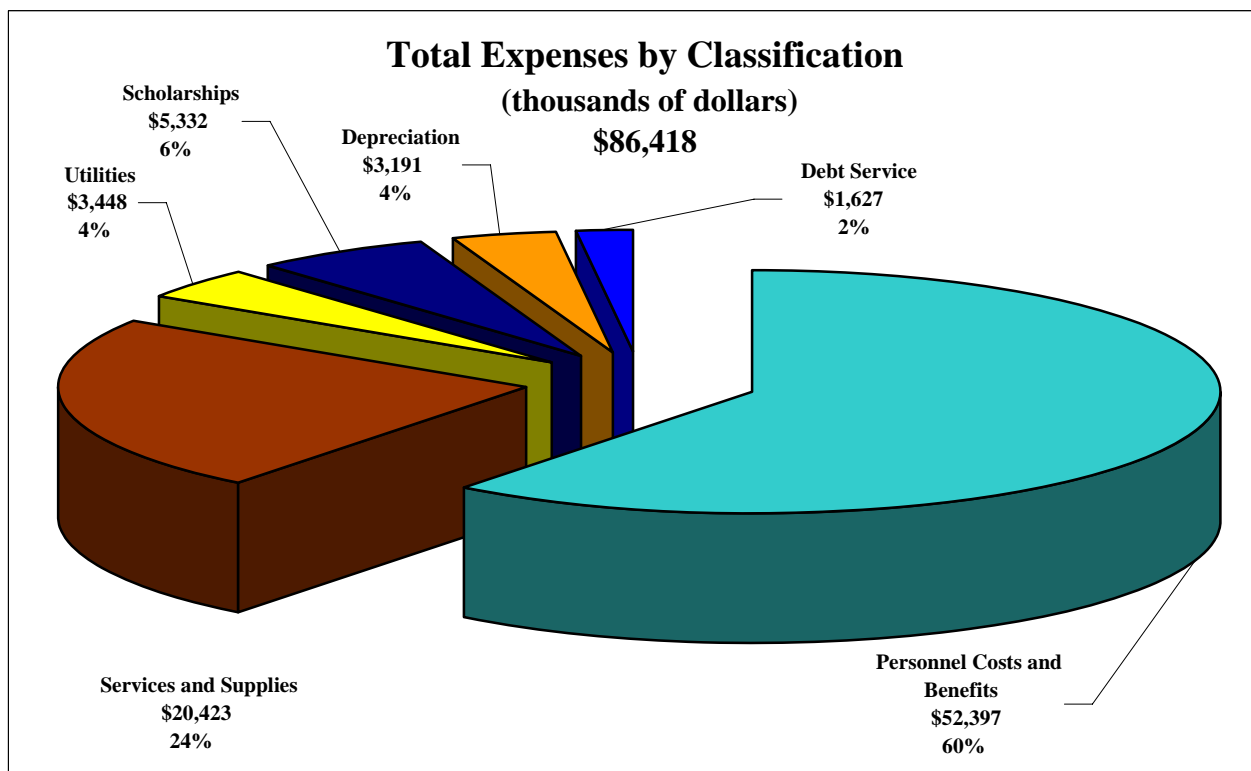
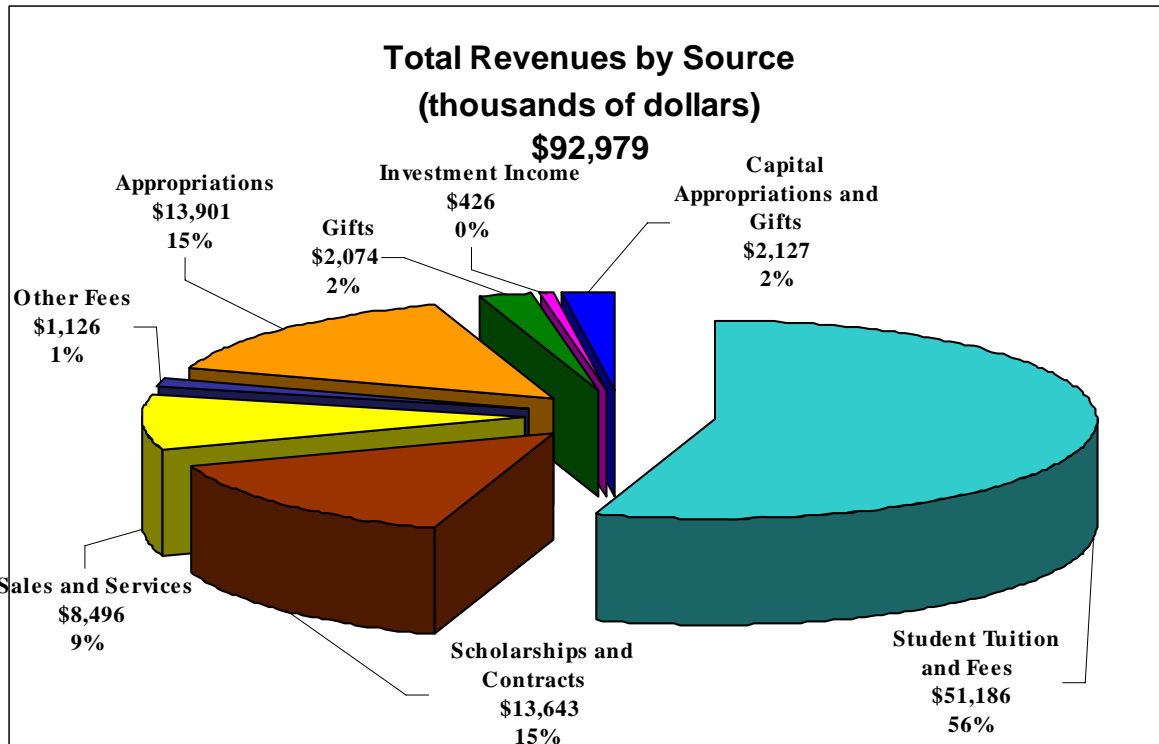
Total Expenses – increase of \$10.6 million

Operating expenses increased by \$10.6 million, led by a \$5.5 million boost in personnel costs and benefits. Growth in the student body continued to require added faculty, administrative and student service support personnel. The cost of services and supplies increased by \$3.9 million as personnel and related programs grew. This growth in services and supplies also included a \$900 thousand increase in non-capitalized renovation projects. Utilities expenses increased by \$885 thousand, highlighted by plant expansion into facilities using natural gas, which experienced unprecedented cost increases in fiscal year 2006.

Net assets increased as a result of these transactions by \$6.5 million.

**Condensed Summary of Revenues, Expenses
and Changes in Net Assets**

	2006	2005	Increase/ (Decrease)	Percent Change
Revenues:				
Student tuition and fees	\$ 51,186,504	\$ 43,074,537	\$ 8,111,967	19%
Grants and contracts	13,643,392	12,608,291	1,035,101	8%
Sales and services	8,496,003	7,094,090	1,401,913	20%
Other operating revenues	<u>1,125,867</u>	<u>999,332</u>	<u>126,535</u>	13%
Total operating revenues	<u>74,451,766</u>	<u>63,776,250</u>	<u>10,675,516</u>	17%
State appropriations	13,562,113	11,792,079	1,770,034	15%
Local appropriations	338,539	214,889	123,650	58%
Gifts	2,074,663	2,503,349	(428,686)	-17%
Capital grants and appropriations	2,126,661	553,131	1,573,530	284%
Investment income	<u>425,808</u>	<u>402,465</u>	<u>23,343</u>	6%
Total non-operating revenues	<u>18,527,784</u>	<u>15,465,913</u>	<u>3,061,871</u>	20%
Total Revenues	<u>92,979,550</u>	<u>79,242,163</u>	<u>13,737,387</u>	17%
Expenses:				
Personnel costs and benefits	52,396,576	46,868,903	5,527,673	12%
Services and supplies	20,422,732	16,433,594	3,989,138	24%
Utilities	3,447,960	2,562,796	885,164	35%
Scholarships	5,332,568	5,325,354	7,214	0%
Depreciation	<u>3,190,958</u>	<u>2,922,724</u>	<u>268,234</u>	9%
Total operating expenses	84,790,794	74,113,371	10,677,423	14%
Interest expense	<u>1,627,464</u>	<u>1,690,726</u>	<u>(63,262)</u>	-4%
Total Expenses	86,418,258	75,804,097	10,614,161	
Change in Net Assets	6,561,292	3,438,066	3,123,226	91%
Net Assets, beginning of year	<u>64,594,318</u>	<u>61,156,252</u>	<u>3,438,066</u>	6%
Net Assets, end of year	\$ <u><u>71,155,610</u></u>	\$ <u><u>64,594,318</u></u>	\$ <u><u>6,561,292</u></u>	10%



Capital Assets and Debt

Capital assets at June 30, 2006 consisted of \$1.5 million construction in progress, and \$88.3 million in land improvements, buildings, equipment, vehicles, and intangible assets, net of accumulated depreciation. The small portion of campus land owned by the University is booked at historical value of \$194 thousand. The construction in progress is comprised mainly of continued renovations to Kearns Hall and a 1,000 seat expansion to Brooks Stadium. Please see Note 6 to the financial statements for further details of capital asset activity.

Debt on capital assets is approximately \$33 million, representing \$1.2 million in current liabilities and \$31.8 million in long-term liabilities. Details on the capital lease obligation of the University at June 30, 2006 may be found in Note 9 to the financial statements. Detail of bonds payable and long-term liabilities of the University are found in Notes 10 and 11.

Economic Outlook

Early indications show an increase in Fall 2006 undergraduate FTE enrollment of about 4.4%. Tuition for 2006-07 increased 9.33% for in-state students and 7.22% for out-of-state students.

For the past several years, the University has enjoyed a strategic presence in Myrtle Beach by offering classes and testing services at the Myrtle Square Mall. That property was demolished by the owner in the fall of 2005. The University moved many of the credit classes formerly offered at the mall to the Grand Strand campus of Horry Georgetown Technical College, and moved its testing facility to Colonial Mall in the northern part of Myrtle Beach. However, enrollment east of the waterway has dropped significantly due to these relocations, and has put added stress on the Conway location for instructional space. The University is diligently seeking a replacement site in Myrtle Beach for both undergraduates and the newly offered MBA degree program.

In the summer of 2006 a private competitor completed an approximate 600-bed apartment style facility adjacent to similar property owned by the University's component unit, the CCU Student Housing Foundation. In order to sustain occupancy, the Board postponed a planned rent increase, which resulted in an 86% occupancy rate for the fall of 2006, exceeding budget expectations. This facility, which is managed by the University is also incurring, in fiscal 2007, quadruple the fiscal year 2006 amount of insurance premium, similar to other apartment-style facilities of its type in coastal areas, based on the 2005 hurricane season.

In late spring, the administration received notice of additional one-time state funding of \$2.358 million for the 2006-07 fiscal year. These funds make a first step toward addressing parity issues with other state institutions.

By early summer of 2006, preliminary construction began to move a road which will free up Coastal Education Foundation land for the planned 7,000 seat campus arena. The current plan is for the arena to be built by a private development group. It will include a men's and women's basketball venue, and will also house practice facilities, parking areas, locker rooms, administrative offices, and meeting rooms. (See Note 19.)



COASTAL CAROLINA UNIVERSITY
STATEMENT OF NET ASSETS
June 30, 2006

ASSETS

Current assets:

Cash and cash equivalents	\$ 15,829,887
Accounts and pledges receivable, net	2,426,173
Due from component units	464,143
Inventories	397,714
Prepays	312,412

Restricted current assets:

Restricted cash and cash equivalents	3,321,946
Loans to students, current portion	346,428
Total current assets	23,098,703

Non-current assets:

Capital assets, net of accumulated depreciation	
Land	194,265
Construction in progress	1,521,330
Buildings and improvements	85,137,212
Equipment, vehicles and intangible assets	3,199,488
Other assets, net	365,290

Restricted non-current assets:

Restricted cash and cash equivalents	97,953
Loans to students, net	1,017,074
Total non-current assets	91,532,612

TOTAL ASSETS	114,631,315
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LIABILITIES

Current liabilities:

Accounts and retainage payable	1,341,075
Accrued payroll and related liabilities	2,853,566
Intergovernmental payables	37,207
Unearned revenue	2,108,580
Accrued interest payable	105,338
Funds held for others	255,268
Accrued compensated absences, current	215,247
Bonds payable, current	1,170,000
Capital lease payable, current	98,294

Current liabilities payable from restricted current assets:

Interest payable	105,902
Total current liabilities	8,290,477

Non-Current Liabilities:

Accrued compensated absences	1,940,241
Bonds payable	31,365,000
Capital lease payable	368,758
Other liabilities	51,448

Non-current liabilities payable from restricted non-current assets

Federal loan program liability	1,459,781
Total non-current liabilities	35,185,228

TOTAL LIABILITIES	43,475,705
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NET ASSETS

Invested in capital assets, net of debt	57,050,243
Restricted for:	
Non-expendable/permanently restricted	97,953
Expendable for capital projects	2,559,080
Satisfaction of debt covenants	560,656
Unrestricted	10,887,678
TOTAL NET ASSETS	\$ 71,155,610

The accompanying notes are an integral part of these statements

COASTAL CAROLINA UNIVERSITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the year ended June 30, 2006

Operating Revenues

Student tuition and fees, net of scholarship allowance of \$11,920,589; \$1,687,780 is pledged for debt service on general obligation bonds	\$ 51,186,504
Government scholarships and contracts	13,643,392
Sales and services of educational departments	1,957,787
Sales and commissions of auxiliary enterprises, net of scholarship allowance of \$1,473,331	6,538,216
Other fees	1,125,867

Total Operating Revenues	<u>74,451,766</u>
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Operating Expenses

Personnel costs and benefits	52,396,576
Services and supplies	20,422,732
Utilities	3,447,960
Scholarships	5,332,568
Depreciation	3,190,958

Total Operating Expenses	<u>84,790,794</u>
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Operating Income (Loss)	<u>(10,339,028)</u>
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Non-Operating Revenue (Expenses)

State appropriations	13,562,113
Local appropriations	338,539
Grants and contracts	15,844
Gifts	2,058,819
Investment and endowment income	425,808
Interest on capital asset related debt	(1,627,464)

Net Non-Operating Revenues (Expenses)	<u>14,773,659</u>
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Income (loss) before other revenues, expenses, gains and losses	4,434,631
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Capital appropriations	1,291,693
Capital grants and gifts	834,968

Increase (Decrease) in Net Assets	6,561,292
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Net Assets

Net Assets, beginning of year	64,594,318
Net Assets, end of year	<u>\$ 71,155,610</u>

The accompanying notes are an integral part of these statements.

COASTAL CAROLINA UNIVERSITY
STATEMENT OF CASH FLOWS
For the year ended June 30, 2006

Cash Flows from Operating Activities

Cash received from students for tuition and fees	\$ 52,457,584
Cash received from governmental scholarships and contracts	14,097,983
Cash paid to suppliers	(23,887,706)
Cash paid to employees and fringe benefit providers	(52,031,789)
Cash paid for scholarship payments to students	(5,332,568)
Cash paid for Perkins loans advanced to students	(254,773)
Cash received from Perkins loan repayments	331,193
Cash received from Stafford and parent loans on behalf of students	29,002,818
Cash from Stafford and parent loans paid to students or applied to student accounts	(28,987,041)
Cash received on behalf of CCU Student Housing Foundation	6,954,683
Cash paid on behalf of CCU Student Housing Foundation	(6,536,549)
Cash received on behalf of other organizations	753,315
Cash paid or scholarships applied on behalf of other organizations	(726,812)
Cash received from sales and commissions of auxiliary enterprises	
Residence halls and food service	4,622,607
Bookstore	342,982
Vending	245,018
Health Service	377,120
Golf Course	859,709
Cash received from other receipts	2,003,054
Net Cash Used by Operating Activities	<u>(5,709,172)</u>

Cash Flows from Non-capital Financing Activities

State appropriations	13,562,113
Local Appropriations	338,539
State Grants	15,844
Gifts	1,607,351
Net Cash Flows Provided by Non-Capital Financing Activities	<u>15,523,847</u>

Cash Flows from Capital Financing Activities

State capital appropriations	1,000,000
Local capital appropriations	110,000
Capital gifts	635,264
Purchases of capital assets	(3,973,705)
Principal paid on capital debt and lease	(1,205,327)
Interest paid on capital debt and lease	(1,633,759)
Net Cash Used by Capital Financing Activities	<u>(5,067,527)</u>

Cash Flows from Investing Activities

Interest on deposits	383,870
Net Cash Provided by Investing Activities	<u>383,870</u>

Increase in cash and cash equivalents 5,131,018

Cash - beginning of year 14,118,768

Cash - end of year \$ 19,249,786

Continued

COASTAL CAROLINA UNIVERSITY
STATEMENT OF CASH FLOWS
For the year ended June 30, 2006

Reconciliation of net operating loss to net cash used by operating activities:

	\$	
Operating loss		(10,339,028)
Operating expenses covered by in-kind donations		451,468
Bad debt expense		241,852
Depreciation expense		3,190,958
Change in current assets and liabilities:		
Accounts and loans receivable		(138,208)
Grants and contracts receivable		404,931
Inventories		(55,608)
Prepaid expenses		(68,811)
Unearned revenue		397,164
Accounts and retainage payable		(682,638)
Funds held for others		523,961
Accrued compensated absences		22,262
Accrued payroll and related liabilities		342,525
Net cash used by operating activities	\$	<u>(5,709,172)</u>
Supplemental disclosure:		
Non-cash transactions		
Donated supplies and services	\$	451,468
Donated capital equipment	\$	199,704

The accompanying notes are an integral part of these statements.

COASTAL EDUCATIONAL FOUNDATION
STATEMENT OF FINANCIAL POSITION
June 30, 2006

Assets	
Cash and Cash Equivalents	\$ 399,288
Cash Reserved for Long -Term Investment	380,623
Accounts and Pledges Receivable, net of allowance of \$358,779	3,300,350
Investments	15,206,111
Real Estate Held for Investment	172,460
Property Held for Sale	262,400
Cash Surrender Value of Life Insurance	22,523
Net Property and Equipment	<u>4,034,693</u>
 Total Assets	 <u><u>\$ 23,778,448</u></u>
Liabilities and Net Assets	
Accounts Payable	\$ 218,182
Accrued Expenses	92,500
Notes Payable	<u>673,548</u>
Total Liabilities	<u>984,230</u>
Net Assets	
Unrestricted	5,680,090
Temporarily Restricted	8,268,724
Permanently Restricted	<u>8,845,404</u>
Total Net Assets	<u>22,794,218</u>
 Total Liabilities and Net Assets	 <u><u>\$ 23,778,448</u></u>

The accompanying notes are an integral part of these statements.

COASTAL EDUCATIONAL FOUNDATION
STATEMENT OF ACTIVITY AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2006

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, Gains and Other Support				
Contributions	\$ 254,052	\$ 1,204,066	\$ 1,055,614	\$ 2,513,732
Endowed and Other Investment Income				
Interest Income	13,839			13,839
Dividend Income	173,098	138,642	19,880	331,620
Net Appreciation in Fair Value of Investments	471,210	251,649	64,975	787,835
Gain on Sale of Investments	429	-	-	429
Bad Debt Loss	-	(46,057)	-	(46,057)
Lease Income	387,141			387,141
Net Assets Released from Restrictions	1,136,074	(1,136,074)	-	-
Total Revenues, Gains and Other Support	2,435,840	412,227	1,140,470	3,988,538
Expenses				
Program Services				
Scholarships	160,633	-	-	160,633
University Support	287,230	-	-	287,230
Facilities Development & Physical Plant	556,737	-	-	556,737
College of Education	31,661	-	-	31,661
College of Humanities	153,489	-	-	153,489
College of Science	75,440	-	-	75,440
College of Business	478,133	-	-	478,133
General and Administrative	404,191	-	-	404,191
Fundraising Expenses	107,646	-	-	107,646
Total Expenses	2,255,160	-	-	2,255,160
Increase in Net Assets	180,680	412,227	1,140,470	1,733,377
Net Assets, Beginning of Year,	5,499,409	7,856,497	7,704,934	21,060,840
Net Assets, End of Year	\$ 5,680,090	\$ 8,268,724	\$ 8,845,404	\$ 22,794,218

The accompanying notes are an integral part of these statements.

CCU STUDENT HOUSING FOUNDATION
STATEMENT OF FINANCIAL POSITION
June 30, 2006

Assets

Cash and cash equivalents	\$ 2,041,977
Cash and cash equivalents held by bond trustee	4,600,800
Investments	85,418
Accounts receivable, net	59,468
Accounts receivable-related party	7,052
Property, net	31,446,441
Bond issuance costs, net	<u>812,389</u>
 Total assets	 <u><u>\$ 39,053,545</u></u>

Liabilities and deficit

Liabilities	
Accounts payable	\$ 65
Accounts payable-related parties	281,668
Interest payable	455,693
Mortgage payable	3,300,000
Bonds payable	<u>38,095,000</u>
	<u>42,132,426</u>
 Deficit	
Unrestricted	<u>(3,078,881)</u>
Total deficit	<u>(3,078,881)</u>
 Total liabilities and deficit	 <u><u>\$ 39,053,545</u></u>

The accompanying notes are an integral part of these statements.

CCU STUDENT HOUSING FOUNDATION
STATEMENT OF ACTIVITY AND CHANGES IN DEFICIT
For the Year Ended June 30, 2006

	<u>Unrestricted</u>
Revenues and other support:	
Housing fees	\$ 5,355,353
Investment return	<u>548,177</u>
Total revenues and other support	<u>5,903,530</u>
Expenses:	
Student housing	7,320,667
Support of Coastal Carolina University	275,142
Management and general	<u>55,016</u>
Total expenses	<u>7,650,825</u>
Change in deficit	(1,747,295)
Deficit, beginning of year, restated	<u>(1,331,586)</u>
Deficit, end of year	<u><u>\$ (3,078,881)</u></u>

The accompanying notes are an integral part of these statements.

COASTAL CAROLINA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Coastal Carolina University is a public, mid-sized (7,000 students) comprehensive liberal arts institution offering baccalaureate degrees in the traditional liberal arts and sciences, interdisciplinary studies, and professional schools, along with master's degrees in several specialized areas. The campus primarily serves its immediate five-county area, while honoring its commitment to the citizens of Horry County who founded the University and continue to provide funding to it. Recognizing its responsibility to ensure a student population that is diverse both culturally and geographically, the institution also aggressively recruits statewide, out-of-state, and internationally.

The University is a part of the primary government of the State of South Carolina and its funds are reported in the State's higher education enterprise funds in the Comprehensive Annual Financial Report of the State of South Carolina. Generally, all State departments, agencies, and colleges are included in the State's reporting entity. These entities are financially accountable to and fiscally dependent on the State. Although the State-supported universities operate somewhat autonomously, they lack full corporate powers. In addition, the Governor and/or the General Assembly appoint most of their board members and budget a significant portion of their funds.

Financial Statements Presentation

The financial statement presentation for the University conforms to the requirements of Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*. The University has also adopted GASB Statement No. 38, *Certain Financial Statement Note Disclosures* and Statement No. 39, *Determining Whether Certain Organizations are Component Units – An Amendment of GASB Statement No. 14*. The financial statement presentation provides a comprehensive, entity-wide perspective of the University's net assets, revenues, expenses and changes in net assets and cash flows as well as the net assets, revenues, expenses and changes in net assets of its separately audited component units.

Reporting Entity

The financial reporting entity, as defined by GASB Statement No. 14, *The Financial Reporting Entity*, consists of the primary government and all of its component units. Component units are legally separate organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the financial statements to be misleading or incomplete. Accordingly, the financial statements present the University as the primary government and two discretely presented component units, the Coastal Educational Foundation and the CCU Student Housing Foundation.

The Coastal Educational Foundation (the CEF) is a legally separate, tax-exempt entity which was chartered by the State of South Carolina in October 1954 for the purpose of soliciting, receiving, managing and distributing gifts for educational purposes in support of Coastal Carolina University. The CEF's activities are governed by its board of directors. The Foundation's support comes primarily from contributions from alumni, local individuals and businesses. Although the University does not control the timing or amount of receipts from the CEF, the majority of resources and income thereon that it holds and invests is restricted to the activities of the University by donors. Because these restricted resources can only be used by, or for the benefit of, the University, the CEF is considered a component unit of the University.

The CCU Student Housing Foundation (the Foundation) is also a legally separate, tax-exempt entity which was chartered in 2002 to provide housing for Coastal students and to provide support for various other University programs. The Foundation is supported by housing fees paid by students. The Foundation's activities are governed by its board of directors. The Foundation is considered a component unit because its economic resources are held entirely for the benefit of the University.

COASTAL CAROLINA UNIVERSITY
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Both the CEF and the Foundation are deemed not to be governmental entities because a controlling majority of the membership is not appointed by the University, there is no potential for unilateral dissolution by the University with the net assets reverting to the University, and neither has the power to enact and enforce a tax levy or the ability to issue directly debt that pays interest exempt from federal taxation. Also, both Foundations report their financial results under Financial Accounting Standards Board (FASB) statements, the most significant of which are FASB Statement No. 116, *Accounting for Contributions Received and Contributions Made*, and FASB Statement No. 117, *Financial Statements of Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. Because the Foundations are deemed not to be governmental entities and because they use a different reporting model, their balances and transactions are reported on separate financial statements.

Copies of the separately issued financial statements of both the CEF and the Foundation can be obtained by sending a request to the following address: Executive Director, University Foundations, Foundations Center, P.O. Box 261954, Conway, South Carolina, 29528-6054.

Basis of Accounting

For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Student tuition and auxiliary enterprise fees are presented net of scholarships and fellowships applied to student accounts, while stipends and other payments made directly are presented as scholarship and fellowship expenses. All significant intra-agency transactions have been eliminated.

The University has elected not to apply all applicable GASB pronouncements and, in accordance with GASB Statement No. 20, has elected to apply only those Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, which are not in conflict with GASB standards.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the University and its component units consider all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the State of South Carolina State Treasurer's Office are considered cash equivalents.

Accounts Receivable

Accounts receivable consists of tuition and fee charges to students, gift pledges and auxiliary enterprise services provided to students, faculty and staff. Accounts receivable also include amounts due from the Federal government, state and local governments, component units, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

Inventories and Prepaid Items

Inventories are carried at the lower of cost or market determined on a moving weighted average basis. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets

Capital assets are recorded at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. The University follows capitalization guidelines established by the State of South Carolina. All land is capitalized, regardless of cost. Qualifying improvements that rest in or on the land itself are recorded as depreciable land improvements. Major additions and renovations and other improvements that add to usable space, prepare existing buildings for new uses, or extend the useful life of an existing building are capitalized. The

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University capitalizes movable personal property with a unit value in excess of \$5,000 and a useful life in excess of two years and depreciable land improvements, buildings and improvements, and intangible assets costing in excess of \$100,000. Routine repairs and maintenance and library materials, except individual items costing in excess of \$5,000, are charged to operating expenses in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 12 to 50 years for buildings and improvements and land improvements and 3 to 25 years for machinery, equipment, and vehicles. A full year of depreciation is taken the year the asset is placed in service and no depreciation is taken in the year of disposition.

Unearned Revenues

Unearned revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Student deposits are recognized as revenue during the semester for which the fee is applicable and earned when the deposit is nonrefundable to the student under the forfeit terms of the agreement. Also included in unearned revenue are grant funds received but not yet expended for their restricted purpose and amounts paid in advance for football tickets.

Funds Held for Others

Funds held for others result from the University acting as an agent, or fiduciary, for entities which have a relationship with the University's activities or from the University acting as an agent for certain student loans.

Compensated Absences

Employee vacation pay expense is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as accrued vacation payable in the statement of net assets, and as a component of compensation and benefit expense in the statement of revenues, expenses, and changes in net assets.

Federal Perkins Loans Receivable and Related Liability

The loans receivable on the balance sheet are due to the University under the federal Perkins loan program. This program is funded primarily by the federal government with the University providing a required match. The amount reported as federal loan liability is the amount of cumulative federal contributions and a pro-rata share of net earnings on the loans under this program which would have to be repaid to the federal government if the University ceases to participate in the program.

Net Assets

The University's net assets are classified as follows:

Invested in capital assets, net of related debt: Assets invested in capital assets, net of related debt, represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted net assets - expendable: Restricted expendable net assets include resources which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Restricted net assets - nonexpendable: Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the

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purpose of producing present and future income, which may either be expended or added to principal.

Unrestricted net assets: Unrestricted net assets represent resources derived from student tuition and fees, appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the University, as well as to repair and renovations to the physical plant, and may be used at the discretion of the governing board to meet current expenses for any purpose.

The University policy for applying expenses that can use both restricted and unrestricted resources is delegated to the departmental administrative level. General practice is to first apply the expense to restricted resources then to unrestricted resources.

Classification of Revenue and Expense

The University classifies its revenues and expenses as either operating or non-operating. Operating revenues generally result from exchange transactions arising from the University's principal on-going activity, which is the provision of higher education.

Operating revenues include (1) student tuition and fees received in exchange for providing educational services, housing, and other related services to students; (2) receipts for scholarships where the provider has identified the student recipients or eligibility criteria; (3) fees received from organizations and individuals in exchange for miscellaneous goods and services provided by the University; and (4) grants and contracts that are essentially the same as contracts for services that finance programs the University would not otherwise undertake. Operating expenses result from providing the goods and services exchanged for the respective revenues.

All revenues and expenses not meeting the definition of operating revenues are reported as non-operating revenues and expenses. Such transactions generally arise from activities that have characteristics of non-exchange transactions. Examples include gifts and contributions, government appropriations, investment income, and any grants and contracts that are not classified as operating revenue or restricted by the grantor to be used exclusively for capital purposes.

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of revenue, expenses, and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, State, or nongovernmental programs, are recorded as either operating or non-operating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance. Scholarships for certain individuals that are required by State law or out-of-state fee differential abatements facilitated by intra-state agreements are recorded as neither tuition and fee revenue nor scholarship allowance.

Sales and Services of Educational and Other Activities

Revenues from sales and services of educational and other activities generally consist of amounts received from instructional, laboratory, research, and public service activities that incidentally create goods and services which may be sold to students, faculty, staff, and the general public. The University receives such revenues primarily from grant-related activities, rental of University space, travel-study courses, research and public service centers, and the physical education center.

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Auxiliary Enterprises and Internal Service Activities

Auxiliary enterprise revenues primarily represent revenues generated by housing, bookstore, vending/canteen, food service, health service, and golf course activities. Transactions between the University and its auxiliary enterprises activities have been eliminated.

Rebatable Arbitrage

Arbitrage involves the investment of proceeds from the sale of tax-exempt securities in a taxable investment that yields a higher rate of return, resulting in income in excess of interest costs. Federal law requires entities to rebate to the government such income on tax-exempt debt if the yield from these earnings exceeds the effective yield on the related tax-exempt debt issued. Governments are exempt from the rebate requirement if they meet certain temporary investment tests, if their bond proceeds are "available construction proceeds", or if they issue no more than \$5 million in total of all such debt in a calendar year. For this purpose, tax-exempt indebtedness includes bonds and certain capital leases and installment purchases. Potential rebate liability must be calculated annually, and the actual liability must be paid every five years or at maturity of the debt, whichever is earlier. The University has a rebatable arbitrage liability of \$11,000 at June 30, 2006.

Income Taxes

The University, as a political subdivision of the State of South Carolina, is excluded from Federal income taxes under Section 115(1) of the Internal Revenue Code, as amended. The Foundations are exempt from income tax under the provisions of Internal Revenue Code Section 501(c)(3). No provision for income taxes has been made.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenditures and affect disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

NOTE 2—DEPOSITS AND INVESTMENTS

Custodial credit risk for deposits is the risk that in the event of a bank failure, the government's deposits may not be returned to it. State law requires the University to maintain all deposits with the South Carolina State Treasurer. Accordingly, at June 30, 2006, all University deposits were held by the South Carolina State Treasurer. Readers should refer to the Comprehensive Annual Financial Report of the State of South Carolina for information pertaining to reported amounts, fair values, and credit risk of the State Treasurer's deposits and investments.

NOTE 3—RESTRICTED ASSETS

The purposes and amounts of University restricted assets at June 30, 2006 are as follows:

<u>Current:</u>	
Cash and cash equivalents	
Federal Perkins Loan program	96,308
Satisfaction of debt covenants	666,558
Capital projects	2,559,080
Total cash and cash equivalents	3,321,946
Loans to students	346,428
Total restricted current assets	3,668,374
<u>Non-current:</u>	
Cash and cash equivalents	
Endowments	97,953
Loans to students	1,017,074
Total restricted non-current assets	1,115,027
Total restricted assets	\$ 4,783,401

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NOTE 4—ACCOUNTS RECEIVABLE

University current and non-current receivables for June 30, 2006 are as follows:

Current Accounts Receivable:

Student accounts receivable	\$ 880,264
Less allowance for uncollectibles	(209,308)
Student accounts receivable, net	670,956
Third party receivables	144,105
Loans to students, current	346,428
Federal grants and contracts receivable	409,698
State grants and contracts receivable	81,791
State research infrastructure bond proceeds receivable	181,693
Non-governmental grants and contracts receivable	115,790
Coastal Carolina Booster Club	419,747
Accrued interest and endowment income receivable	115,472
Gifts receivable	140,913
Other receivables	146,008
Net total current receivables	2,772,601

Non-current Accounts Receivable:

Loans to students	1,117,064
Less allowance for uncollectibles	(99,990)
Net loans to students	\$ 1,017,074

Allowances for uncollectible accounts receivable are established based upon actual losses experienced in prior years and evaluations of the current account portfolio. The above schedule does not include amounts due from component units.

NOTE 5—LOANS RECEIVABLE

Student loans made through the Federal Perkins Loan Program of the University comprise all of the loans receivable as of June 30, 2006. The Perkins Loan program provides various repayment options; students have the right to repay the loans over periods up to 10 years depending on the amount of the loan and loan cancellation privileges the student decides to exercise. As the University determines that loans are uncollectible, the loans are written off and assigned to the United States Department of Education. At June 30, 2006, the allowance for uncollectible student loans is valued at \$99,990.

NOTE 6—CAPITAL ASSETS

Capital asset activity for the University for the year ended June 30, 2006 is summarized as follows:

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	Balance July 1, 2005	Additions	Retirements	Balance June 30, 2006
Capital assets not being depreciated:				
Land	\$ 194,265	\$ -	\$ -	\$ 194,265
Construction in progress	1,328,498	1,521,330	(1,328,498)	1,521,330
Total capital assets not being depreciated	1,522,763	1,521,330	(1,328,498)	1,715,595
Capital assets being depreciated:				
Land improvements	2,880,759	-	-	2,880,759
Buildings and improvements	102,872,510	3,140,210	-	106,012,720
Equipment	4,953,078	767,325	(152,682)	5,567,721
Intangible assets	359,959	-	-	359,959
Vehicles	652,151	112,955	(67,754)	697,352
Total other capital assets at historical cost	111,718,457	4,020,490	(220,436)	115,518,511
Less accumulated depreciation for:				
Land improvements	(854,019)	(152,018)	-	(1,006,037)
Buildings and improvements	(20,398,598)	(2,351,632)	-	(22,750,230)
Equipment	(2,415,883)	(449,831)	152,682	(2,713,032)
Intangible assets	(204,972)	(113,713)	-	(318,685)
Vehicles	(337,817)	(123,764)	67,754	(393,827)
Total accumulated depreciation	(24,211,289)	(3,190,958)	220,436	(27,181,811)
Capital assets being depreciated, net	87,507,168	829,532	-	88,336,700
Capital assets, net	89,029,931	2,350,862	(1,328,498)	90,052,295

Major outlays for capital assets and improvements are capitalized as they are constructed. Interest incurred during the construction phase may be capitalized or expensed depending on, among other things, whether the source of funding specifies that it may be used only for the acquisition of specified qualifying assets, and, in certain cases, the amount of interest earnings on unexpended debt proceeds. During the year ended June 30, 2006, the University capitalized no construction interest.

Construction Commitments

At June 30, 2006, the University had an active construction contract for capital renovations to the Kearns Hall classroom building. Through that date, the University had spent \$1,201,201 on the project and had \$129,168 remaining on the contract. There was also an active construction contract for expansion of seating at Brooks Stadium. Through June 30, 2006, \$39,541 had been spent, and \$761,009 was remaining on the contract.

NOTE 7—ENDOWMENTS

The University holds one permanent endowment of \$100,000. The cash and cash equivalents, with a fair market value at June 30, 2006 of \$97,953 are recorded in non-current assets, restricted cash. If a donor has not provided specific instructions otherwise, section 34-6-20 of the South Carolina Code of laws permits the Board of Trustees to authorize for expenditure the net appreciation (realized and unrealized) over historical dollar value of the endowment funds. The income earned on the endowment is spent for the purpose for which it was established, faculty research support. It is the University's policy to authorize and spend investment income only to the extent it is available at the most recent June 30. At June 30, 2006, the fund was underwater by \$10,137 due to unrealized losses.

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NOTE 8—UNEARNED REVENUE

Unearned revenue for the University at year-end is comprised of tuition prepayments of \$704,582, grant and contract funds of \$522,267, housing prepayments of \$268,158, advance football ticket sales of \$178,359, advance catering commissions of \$428,571, and auxiliary gift certificates of \$6,643.

NOTE 9— LEASE OBLIGATIONS

Operating Leases

The University leases classroom and office facilities and a golf course from external parties under terms of non-cancelable operating leases having terms in excess of one year. Total payments for such leases were \$982,662 for the year ended June 30, 2006. Future minimum lease payments under terms of these leases are as follows:

<u>Year ending June 30</u>	<u>Amount</u>
2007	\$ 978,446
2008	964,421
2009	928,195
2010	422,064
Thereafter	-
Total	<u>\$ 3,293,126</u>

The University also leases from external third parties storage space, an activity field, and classroom, office and clinic facilities in accordance with operating leases with fixed annual payments and terms of one year or less. Payments for such space during fiscal 2006 were \$264,328. Also, the University leases copiers in accordance with operating leases with fixed annual payments and terms of one year or less. Copier lease payments for the fiscal year were \$210,635.

Capital Leases

The University has entered into one capital lease in order to finance the acquisition of various pieces of equipment. The lease is payable in annual installments of \$111,969, including interest at 3.09%, through fiscal 2011. This lease agreement qualifies as a capital lease for accounting purposes and therefore has been recorded at the present value of its future minimum lease payments as of the inception date. Carrying value of the leased assets is \$467,052, net of accumulated depreciation of \$182,617.

Future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2006 were as follows:

<u>Year ending June 30</u>	<u>Capital Lease Payments</u>
2007	\$ 111,969
2008	111,969
2009	111,969
2010	111,969
2011	55,981
Total minimum lease payments	<u>503,857</u>
Less: Interest	<u>(36,805)</u>
Present value of minimum lease payments	<u>\$ 467,052</u>

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NOTE 10—BONDS PAYABLE

For the University, bonds payable consisted of the following at June 30, 2006:

	Balance at Inception	Interest Rates	Maturity Dates	Balance June 30, 2006
Revenue bonds				
Series 1999S	\$ 24,545,000	4.875% to 5.3%	6/1/2026	\$ 21,150,000
Series 2004 refunded	13,895,000	4.09%	6/1/2018	3,450,000
Total revenue bonds				24,600,000
State institution				
General obligation bonds	\$ 8,750,000	3.25% to 4.625%	9/1/2022	7,935,000
Total bonds payable				\$ 32,535,000

Revenue bonds are payable from and secured by a pledge of net revenues derived by the University from the operation of the facilities constructed with the bond proceeds, and by a pledge of additional funds, which are all available funds and academic fees of the University except for those which are not (i) otherwise designated or restricted; (ii) funds derived from State appropriations; and (iii) tuition funds pledged to the repayment of State institution bonds, if any. The University has also secured insurance contracts for its revenue bonds which guarantee payment of principal and interest in the case such required payment has not been made, for a period equal to the final maturity of the bonds. Certain of the bonds payable are callable at the option of the University.

State institution bonds are general obligation bonds backed by the full faith, credit, and taxing power of the State. Tuition revenue is pledged in the amount of \$175 per full time in-state student, \$185 per full time out-of-state student and \$10 per graduate credit hour. The legal debt margin for general obligation bonds is that the maximum amount of annual debt service shall not exceed ninety percent of the sums received from tuition and fees for the preceding fiscal year. Tuition bonds fees for the preceding year were \$1,344,290, which results in a legal annual debt service of June 30, 2006 of \$1,209,861.

The scheduled maturities of the bonds payable by type are as follows:

Revenue Bonds		Principal	Interest	Payments
	2007	\$ 870,000	\$ 1,233,297	\$ 2,103,297
	2008	905,000	1,192,690	2,097,690
	2009	945,000	1,150,314	2,095,314
	2010	990,000	1,106,066	2,096,066
	2011	1,040,000	1,059,601	2,099,601
	2012-2016	5,985,000	4,512,837	10,497,837
	2017-2021	6,430,000	2,949,830	9,379,830
	2022-2026	7,435,000	1,222,445	8,657,445
		<u>\$ 24,600,000</u>	<u>\$ 14,427,080</u>	<u>\$ 39,027,080</u>
General Obligation Bonds (State Institution Bonds)		Principal	Interest	Payments
	2007	\$ 300,000	\$ 319,933	\$ 619,933
	2008	315,000	309,939	624,939
	2009	335,000	298,958	633,958
	2010	350,000	286,970	636,970
	2011	370,000	274,370	644,370
	2012-2016	2,155,000	1,133,175	3,288,175
	2017-2021	2,780,000	625,088	3,405,088
	2022-2023	1,330,000	61,800	1,391,800
		<u>\$ 7,935,000</u>	<u>3,310,233</u>	<u>\$ 11,245,233</u>

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NOTE 11—LONG-TERM LIABILITIES

Long-term liability activity for the University for the year ended June 30, 2006 was as follows:

	Balance July 1, 2005	Additions	Reductions	Balance June 30, 2006	Due Within One Year
Bonds payable					
General obligation bonds	\$ 8,220,000	\$ -	\$ 285,000	\$ 7,935,000	\$ 300,000
Revenue bonds	25,425,000	-	825,000	24,600,000	870,000
Total bonds payable	33,645,000	-	1,110,000	32,535,000	1,170,000
Capital lease obligations	562,379	-	95,327	467,052	98,294
Federal loan program liability	1,436,142	23,639	-	1,459,781	-
Accrued compensated absences	2,009,707	383,290	237,509	2,155,488	215,247
Total long-term liabilities	\$ 37,653,228	\$ 406,929	\$ 1,442,836	\$ 36,617,321	\$ 1,483,541

Additional information regarding Capital Lease Obligations is included in Note 9. Additional information regarding Bonds Payable is included in Note 10.

NOTE 12—OPERATING EXPENSES BY FUNCTION

Operating expenses by functional classification for the year ended June 30, 2006 are summarized as follows:

Functional Classification	Natural Classification					Total
	Personnel Costs and Benefits	Services and Supplies	Utilities	Scholarships	Depreciation	
Instruction	\$ 26,419,267	\$ 3,838,297	\$ 45,088	\$ -	\$ -	\$ 30,302,652
Research	666,951	461,255	2,037	-	-	1,130,243
Public Service	860,677	539,659	2,324	-	-	1,402,660
Academic Support	4,238,499	1,197,245	8,696	-	-	5,444,440
Student Services	7,327,080	5,070,282	101,725	-	-	12,499,087
Institutional Support	5,985,269	2,101,426	93,795	-	-	8,180,490
Plant Operation	5,478,625	4,780,601	2,441,189	-	-	12,700,415
Scholarships	223,204	-	-	5,332,568	-	5,555,772
Auxiliary Enterprises	1,197,004	2,433,967	753,106	-	-	4,384,077
Depreciation	-	-	-	-	3,190,958	3,190,958
Total Expenses	\$ 52,396,576	\$ 20,422,732	\$ 3,447,960	\$ 5,332,568	\$ 3,190,958	\$ 84,790,794

NOTE 13—PENSION PLANS

The Retirement Division of the State Budget and Control Board maintains four independent defined benefit plans and issues its own publicly available Comprehensive Annual Financial Report (CAFR) which includes financial statements and required supplementary information. A copy of the separately issued CAFR may be obtained by writing to the Retirement Division, 202 Arbor Lake Drive, Columbia, South Carolina 29223. The financial

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statements of the Retirement Division may also be found on the State Auditor's website: www.osa.state.sc.us. Furthermore, the Division and the four pension plans are included in the CAFR of the State of South Carolina.

Article X, Section 16, of the South Carolina Constitution requires that all State-operated retirement systems be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws of 1976, as amended, prescribes requirements relating to membership, benefits, and employee/employer contributions for each pension plan. Employee and employer contribution rates for the South Carolina Retirement System and the Police Officers Retirement System are actuarially determined. Annual benefits, payable monthly for life, are based on length of service and on average final compensation.

South Carolina Retirement System

The majority of employees of Coastal Carolina University are covered by a retirement plan through the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Division, a public employee retirement system. Generally all State employees are required to participate in and contribute to the SCRS as a condition of employment unless exempted by law as provided in Section 9-1-480 of the South Carolina Code of Laws. This plan provides retirement annuity benefits as well as disability, cost of living adjustment, death, and group-life insurance benefits to eligible employees and retirees.

Employees participating in the SCRS are required to contribute 6.25 percent of all compensation. Effective July 1, 2005, the employer contribution rate became 10.80 percent, which included a 3.25 percent surcharge to fund retiree health and dental insurance coverage. The University's actual contributions to the SCRS for the three most recent fiscal years ending June 30, 2006, 2005 and 2004, were \$2,760,861, \$2,463,160, and \$2,253,239, respectively, and equaled the required contributions of 10.80 percent (including the surcharge) for each year. Also, Coastal Carolina University paid employer group-life insurance contributions of \$37,820 in the current fiscal year at the rate of .15 percent of compensation.

Police Officers Retirement System

The South Carolina Police Officers Retirement System (PORS) is a cost-sharing multiple-employer defined benefit public employee retirement plan administered by the Retirement Division. Generally all full-time employees who are policemen and firemen are required to participate in and contribute to the System as a condition of employment. This plan provides annuity benefits as well as disability and group-life insurance benefits to eligible employees and retirees. In addition, participating employers in the PORS contribute to the accidental death fund which provides annuity benefits to beneficiaries of police officers and firemen killed in the actual performance of their duties. These benefits are independent of any other retirement benefits available to the beneficiary.

Employees participating in the PORS are required to contribute 6.5 percent of all compensation. Effective July 1, 2005, the employer contribution rate became 13.55 percent, which, as for the SCRS, included the 3.25 percent surcharge. The University's actual contributions to the PORS for the years ending June 30, 2006, 2005, and 2004 were \$79,339, \$60,572, and \$51,160, respectively, and equaled the required contributions of 13.55 percent (including the surcharge) for each year. Also, the University paid employer group-life insurance contributions of \$1,137 and accidental death insurance contributions of \$1,137 in the current fiscal year for PORS participants. The rate for each of these insurance benefits is .20 percent of compensation.

Optional Retirement Program

Certain State employees may elect to participate in the Optional Retirement Program (ORP), a defined contribution plan. The ORP was established in 1987 under Title 9, Chapter 17, of the South Carolina Code of Laws. The ORP provides retirement and death benefits through the purchase of individual fixed or variable annuity contracts, which are issued to, and become the property of, the participants. The State assumes no liability for this plan other than for payment of contributions to designated insurance companies.

COASTAL CAROLINA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

ORP participation is limited to faculty and administrative staff of the State's higher education institutions who meet all eligibility requirements for membership in the SCRS. To elect participation in the ORP, eligible employees must irrevocably waive SCRS membership within their first fifteen days of employment.

Under State law, contributions to the ORP are required at the same rates as for the SCRS, 7.55 percent plus the retiree surcharge of 3.25 percent from the employer in fiscal year 2006.

Certain of the Coastal Carolina University's employees have elected to be covered under optional retirement plans. For the fiscal year, total contribution requirements to the ORP were \$1,287,626 (including the surcharge) from the University as employer and \$734,946 from its employees as plan members. 5.95 percent of all contributions was remitted to the Retirement Division of the State Budget and Control Board and 11.00 percent of all contributions was remitted directly to the respective annuity policy providers. The obligation for payment of benefits resides with the insurance companies.

Deferred Compensation Plans

Several optional deferred compensation plans are available to State employees and employers of its political subdivisions. Certain employees of Coastal Carolina University have elected to participate. The multiple-employer plans, created under Internal Revenue Code Sections 457, 401(k), and 403(b), are administered by third parties and are not included in the Comprehensive Annual Financial Report of the State of South Carolina. Compensation deferred under the plans is placed in trust for the contributing employee. The State has no liability for losses under the plans. Employees may withdraw the current value of their contributions when they terminate State employment. Employees may also withdraw contributions prior to termination if they meet requirements specified by the applicable plan.

Teacher and Employee Retention Incentive

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows employees eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years. Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which will include any cost of living adjustments granted during the TERI period. Because participants are considered retired during the TERI period, they do not make SCRS contributions, do not earn service credit, and are ineligible to receive group life insurance benefits or disability retirement benefits.

NOTE 14—POST-EMPLOYMENT AND OTHER EMPLOYEE BENEFITS

In accordance with the South Carolina Code of Laws and the annual Appropriation Act, the State of South Carolina provides certain health care, dental, and life insurance benefits to certain active and retired State employees and certain surviving dependents of retirees. All permanent full-time and certain permanent part-time employees of Coastal Carolina University are eligible to receive these benefits. The State provides post-employment health and dental benefits to employees who retire from State service or who terminated with at least 20 years of State service who meet one or more of the eligibility requirements, such as age, length of service, and hire date. Generally those who retire must have at least 10 years of retirement service credit to qualify for these State-funded benefits. Benefits are effective at date of retirement when the employee is eligible for retirement benefits.

These benefits are provided through annual appropriations by the General Assembly to Coastal Carolina University for its active employees and to the State Budget and Control Board for all participating State retirees except the portions funded through the pension surcharge and provided from other applicable fund sources of the

COASTAL CAROLINA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

University for its active employees who are not funded by State General Fund appropriations. The State finances health and dental plan benefits on a pay-as-you-go basis.

Coastal Carolina University recorded compensation and benefit expenses for these insurance benefits for active employees in the amount of \$2,866,357 for the year ended June 30, 2006. As discussed in Note 13, the University paid \$1,220,090 applicable to the 3.25 percent surcharge included with the employer contributions for retirement benefits. These amounts were remitted to the South Carolina Retirement Systems for distribution to the Office of Insurance Services for retiree health and dental insurance benefits.

Information regarding the cost of insurance benefits applicable to Coastal Carolina University retirees is not available. By State law, the University has no liability for retirement benefits. Accordingly, the cost of providing these benefits for retirees is not included in the accompanying financial statements.

In addition, the State General Assembly periodically directs the Retirement Systems to pay supplemental (cost of living) increases to retirees. Such increases are primarily funded from Systems' earnings; however, a portion of the required amount is appropriated from the State General Fund annually for the SCRS and PORS benefits.

NOTE 15—RELATED PARTIES

There are several separately chartered legal entities which do not meet the criteria established by GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units – an Amendment of GASB Statement No. 14*, to be treated as component units of the University. These entities include the Horry County Higher Education Commission, the Georgetown County Advisory Board for Coastal Carolina University, and the Coastal Carolina Booster Club, Inc. While they are not financially accountable to the University, these organizations exist primarily to provide financial assistance and other support to the University and its educational program. The activities of these entities are not included in the University's financial statements. However, the University's statements for the year ended June 30, 2006, include significant transactions between them and the University which are as follows:

The Horry County Higher Education Commission

The Horry County Higher Education Commission was created by Act No. 114 in the 1959 Session of the South Carolina General Assembly. The Commission is composed of sixteen members who are appointed by the Horry County Legislative Delegation. The Commission is responsible for providing resources to meet the goals and carry out the mission of Coastal Carolina University, and to expend funds, including proceeds of bonds issued by Horry County, to provide buildings and equipment for the University. The Commission receives an annual appropriation from Horry County to accomplish these objectives. During the year ended June 30, 2006, the Commission made grants to Coastal Carolina University totaling \$495,592, none of which was receivable at year end. Of the total, \$75,841 was for scholarships, \$40,000 for public school mentoring and civic engagement projects, \$174,751 for academic enhancement projects, \$15,000 for staff development and \$190,000 for capital improvements at the Burroughs and Chapin Center for Marine and Wetlands Studies. The Commission leases its land and buildings to the University at a below-market rental under terms of annual leases. Rent paid by the University during fiscal 2006 was \$24,000, none of which was payable at year end. Also, as required by the lease, the University insures the Commission's buildings and improvements. The University provides accounting and cash management services to the Commission at no charge, including management of the operating portion of its cash. At June 30, 2006, the Commission had assets of \$2,037,827.

Georgetown County Advisory Board for Coastal Carolina University

Georgetown County annually appropriates funds to support the mission of Coastal Carolina University in Georgetown County. The Georgetown County Advisory Board for Coastal Carolina University is responsible for the budgeting and distribution of these funds. During the year ending June 30, 2006, the University received

COASTAL CAROLINA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

\$75,000 in revenue from the Advisory Board. Expenditures made on behalf of the University for scholarships and the development of facilities in Georgetown County were approximately \$51,370.

Coastal Carolina Booster Club, Inc.

The Booster Club, also known as the Chanticleer Club, was organized solely to raise funds for Coastal Carolina University's athletics programs. During the year ended June 30, 2006, the Club donated \$763,298 to University athletics programs, of which, \$429,188 was payable at year end. The Club receives management and accounting services from the University. At June 30, 2006, the Club had assets of \$2,208,342.

Transactions with the State of South Carolina

The University has significant transactions with the State of South Carolina and various State agencies. The University receives various business, banking and legal services at no cost, and purchases various goods and services from State agencies and component units. The amounts of such expenditures for 2006 are not readily available. At June 30, 2006, accounts receivable included \$84,071 due from other State agencies primarily for Federal and State sponsored projects, and accounts payable included \$37,207 due to other State agencies. As part of a cooperative agreement with Horry Georgetown Technical College (HGTC), which is located adjacent to the University and its golf course, HGTC staff and turf management students maintained the golf course. The University reimbursed HGTC for \$550,075 for related costs incurred.

NOTE 16—RISK MANAGEMENT

The University is exposed to various risks of loss and maintains State or commercial insurance coverage for each of those risks. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. Settlement claims have not exceeded this coverage in any of the past three years.

The State of South Carolina believes it is more economical to manage certain risks internally and set aside assets for claim settlement. Several State funds accumulate assets, and the State itself assumes substantially all the risk for the following claims of covered employees: unemployment compensation benefits; worker's compensation benefits for job-related illnesses or injuries; health and dental insurance benefits; long-term disability and group-life insurance benefits. Employees elect health insurance coverage through either a health maintenance organization or through the State's self-insured plan.

The University and other entities pay premiums to the State's Insurance Reserve Fund (IRF), which issues policies, accumulates assets to cover the risk of loss, and pays claims incurred for covered losses relating to the following activities: theft, damage to, or destruction of assets; real property, personal property, business interruption, equipment, motor vehicles, watercraft, torts, and professional services.

The IRF is a self-insurer and purchases reinsurance to obtain certain services and to limit losses in certain areas. The IRF's rates are determined actuarially.

The University obtains coverage through a commercial insurer for employee fidelity bond insurance for all employees for losses arising from theft or misappropriation and for officers' and directors' errors and omissions.

NOTE 17—COMPONENT UNITS

The Coastal Educational Foundation

The Coastal Educational Foundation (the CEF) is a separately chartered corporation organized exclusively to support Coastal Carolina University. As discussed in Note 1, the CEF has been included in the reporting entity

COASTAL CAROLINA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

as a component unit. Because CEF is deemed not to be a governmental entity and uses a different reporting model, its balances and transactions are reported on separate financial statements.

The CEF transfers funds earmarked from private contributions to the University to support University scholarships and various academic programs. These transfers for fiscal year 2006 were recorded by the University as non-operating gift revenues totaling \$957,964. The CEF also made capital gifts to the University totaling \$18,645 which was recorded as capital grants in the Statement of Revenues, Expenditures and Changes in Net Assets. Of these amounts, \$257,395 was receivable by the University and payable by the Foundation at year end.

In addition, the CEF makes direct payments on behalf of the University in furtherance of the University's mission. An additional \$489,587 in expenses were incurred directly by the CEF for various services, including \$473,904 in lease payments, property taxes and fees, debt service and other costs related to the Coastal Science Center and the Foundations Center. The University in turn leased the same property from the Foundation for \$352,271. (See the discussion in note 9.)

In further support of the University, the CEF owns parcels of real property on which portions of the University's campus is located. At June 30, 2006, the carrying value of this property was \$4,034,693, net of \$175,800 accumulated depreciation. The Foundation does not charge rent for most of this property. The University, in turn, provides operational and fundraising staff for which it does not charge the Foundation. The University paid rent of \$23,070 in fiscal year 2006 to the Foundation for one parcel of land.

The CEF carries investments in marketable equity securities with readily determinable fair market values, and all debt securities, at fair value in the statement of financial position. Investment income is considered unrestricted unless the donors have specified otherwise. Unrealized gains and losses are netted with realized gains and losses in the statement of activities. Donated investments are valued at fair market value at the date of donation. Investments in non-publicly traded securities of closely held entities with no readily determinable market value are carried on the books at established fair value at the date of donation to the Foundation. Dividend income is considered unrestricted unless the donor has specified otherwise. Investments in non-publicly traded closely held partnerships with no readily determinable market value are carried on the books at established fair value at the date of donation or distribution to the Foundation and accounted for under the cost method of accounting for investments, except for certain liquidating distributions which reduce the value of the investment.

A summary of investments at fair value at June 30, 2006 follows:

Commonfund Investments	
Multi-Strategy Equity Funds	\$ 9,289,506
Multi-Strategy Bond Funds	5,715,449
Total Privately Managed Funds	<u>15,004,955</u>
Closely Held Investments	
Common stock	190,000
Partnership interest	11,156
Total Closely Held Investments	<u>201,156</u>
Total Investments	<u>\$ 15,206,111</u>

CCU Student Housing Foundation

The CCU Student Housing Foundation (the Foundation) is a separately chartered corporation organized to provide housing for students at the University, as well as to provide support for the various programs of the University. The CCU Housing Foundation, LLC, (the Company) the sole member and owner of which is the Foundation, operates University Place, an apartment style housing complex located approximately one half mile from the campus. As discussed in Note 1, the Foundation has been included in the reporting entity as a

COASTAL CAROLINA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

component unit. Because the Foundation is deemed not to be a governmental entity and uses a different reporting model, its balances and transactions are reported on separate financial statements.

Through October of 2005, University Place was financed by variable rate demand bonds totaling \$38,845,000 from the South Carolina Jobs-Economic Development Authority (JEDA). Among other provisions, the bonds required the Foundation to engage in an interest rate swap and to maintain a letter of credit with a bank.

In October 2005, the Company leased and began operating the Foundation's University Place facilities. The Company issued bonds through JEDA, proceeds of which were used, among other things, to retire the bonds payable by the Foundation. The replacement bonds, which are obligations of the Company, total \$38,095,000. Interest is payable semi-annually and varies from four to five percent. The bonds mature in varying amounts through 2031. The Company's obligations under the bond agreements are collateralized by, among other things, a leasehold mortgage and assignment of rents and leases applicable to University Place. Annual debt service coverage ratio required by the bond agreement is 1.2:1.

In order to market, operate and maintain its housing complex, the Foundation has entered into a Management Agreement with Coastal Carolina University. The agreement provides that the University receives 4 percent of collected revenues and an additional 2 percent after applicable debt ratios and bond covenants are met. The agreement is renewable annually. During the year ended June 30, 2006, the University received \$280,980 in management fees which were recorded as auxiliary revenue in the statement of changes in net assets.

In its capacity as manager, the University pays operating expenses on behalf of the Company and applies for reimbursement semi-annually. At June 30, 2006, \$206,668 was payable to the University for such expenses. The University also collects rent through its student receivables system. At June 30, 2006, \$7,052 of the collected amount was receivable from the University.

In accordance with terms of the bonds discussed above, both the Foundation and the Company have entered into a Support Agreement with the University. This agreement provides that the University will refer students to University Place and identify University Place as "Preferred Residential Housing" and will use its best efforts to see that the debt service ratio required by lenders is maintained. In addition, the agreement restricts the University's ability to operate or own any other off-campus student housing facility.

The Support Agreement also requires the University to provide at no cost to itself the same internet and intranet services and campus life programs to residents of University Place as it provides to students living in University owned housing, including health care services. During the year ended June 30, 2006 the Company paid the University \$299,920 to provide technology and student health services to residents of University Place.

The University also provides meal plans for the residence hall advisors who are assigned to the Foundation's apartments. The total value of such meal plans in 2006 was \$43,890. The University, through a grant to the Waccamaw Regional Transportation Authority, provides no cost shuttle service from University Place to the campus and to area shopping and entertainment facilities. The University provides administrative management services for the Foundation at no charge and office space for staff providing the applicable services. The value of these services was \$62,240 for 2006.

At June 30, 2006, the Foundation's carrying value of the University Place housing complex was \$28,784,371, net of \$2,829,171 accumulated depreciation

During fiscal 2005, the Foundation borrowed \$3,300,000 from a bank in order to purchase land for possible future expansion. The note matures in June 2007 and bears interest at LIBOR plus 0.75%. Interest expense reported by the Foundation was \$173,147 for the year ended June 30, 2006. The land had a cost of \$3,300,821.

COASTAL CAROLINA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

During fiscal 2005, in order to compensate him for his work on its behalf, the Foundation entered into an agreement to provide supplemental compensation to the president of Coastal Carolina University beginning in January 2006. Among other things, the agreement provides for a longevity bonus which vested on January 1, 2006 and for which the Foundation recognized a \$75,000 expense to record the liability which is payable at the request of the beneficiary. To fund this obligation, the Foundation has established an investment account which had a fair value of \$85,418 at June 30, 2006. The Foundation also paid \$26,995 during the year for other benefits required by the agreement.

Also, the Foundation has entered into a lease guaranty agreement with owners of a golf course which the University leases as part of its Professional Golf Management program. Under terms of the guaranty agreement, the Foundation will assume the University's position should the University terminate, elect not to renew, or default pursuant to terms of the lease .

NOTE 18--CONTINGENCIES AND LITIGATION

The University participates in certain Federal grant programs. These programs are subject to financial and compliance audits by the grantor or its representative. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Management believes disallowances, if any, will not be material.

The University is a defendant in various legal actions the outcome of which is not presently determinable. In the opinion of the University's counsel, the resolution of these matters will not have a material adverse effect on the University's financial position.

NOTE 19--COMMITMENTS

SPORTS ARENA PROJECT - In July 2005, the University's component unit, the Coastal Education Foundation, approved the use of a parcel of its property adjacent to the University campus for development of a sports arena complex, which will include an arena, practice facilities, parking area, locker rooms, administrative offices, and meeting rooms. The CEF has agreed to lease its land to a private developer, CCA, LLC, which will construct the complex. The lease agreement provides that, once the complex is complete, the developer will own and operate the arena portion of the facility, but the CEF will own all property improvements related to the practice facilities, parking area, locker rooms, administrative offices, and meeting rooms, including a minimum number of annual usage dates in the arena facility. The CEF will pay rent to the developer under terms identical to those described below applicable to the University's lease with the CEF. The ground lease and usage agreements with the developer are for thirty years, at the end of which time, ownership of the arena will pass to the CEF. At year end, the CEF and the developer were selecting a general contractor for the project.

As part of the development, the University has entered into an agreement with the CEF which provides for the University's exclusive use of the practice facilities, parking area, locker rooms, administrative offices, and meeting rooms and the University's use of the arena for up to 32 basketball games and 15 additional events. Under terms of the agreement, the University will pay annual rent of \$400,000 subject to a ten percent escalation adjustment every fifth year. The lease term begins upon completion of the improvements and is for thirty years. Total rent over the thirty-year period will be \$15,431,220. Terms of the lease were approved by the South Carolina Budget and Control Board in August 2005.

ATHLETIC FIELD HOUSE PROJECT - The CEF has also agreed to facilitate construction of an athletic field house adjacent to the University's football field. The CEF will issue \$3.1 million tax exempt bonds for the project

COASTAL CAROLINA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

through the South Carolina Jobs Economic Development Authority. The South Carolina Budget and Control Board approved selection of bond counsel for the offering at its June 21, 2006 meeting. The bonds will not be issued until \$3.5 million in pledge commitments have been received. The Coastal Carolina Booster Club is conducting the capital campaign for these pledges and reported \$1.48 million in applicable pledges at June 30, 2006. The field house will be constructed in phases. The cost of first phase is estimated to be \$6 million. \$2.38 million of the first phase construction costs in excess of the CEF bond issue will be paid from proceeds of the South Carolina Institutional Capital Projects Bonds discussed below. The remaining \$620,000 will be paid from University unrestricted capital reserve funds.

ISSUANCE OF STATE INSTITUTIONAL CAPITAL PROJECTS BONDS - The State of South Carolina has approved the issuance of Institutional Capital Projects Bonds in the amount of \$11.3 million on behalf of the University. Proceeds will be used to fund various campus construction and renovation projects, including the \$2.38 million for the athletic field house discussed above. The South Carolina State Treasurer's Office expects to complete the offering in October 2006.

COASTAL CAROLINA UNIVERSITY
SCHEDULE OF INFORMATION ON BUSINESS-TYPE ACTIVITIES REQUIRED FOR THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES IN THE STATE COMPREHENSIVE
ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2006

	<u>2006</u>	<u>2005</u>	<u>Increase (Decrease)</u>
Charges for services	\$ 74,451,766	\$ 63,776,250	\$ 10,675,516
Operating grants and contributions	2,823,166	2,206,535	616,631
Capital grants and contributions	944,968	553,131	391,837
Less: expenses	<u>(86,418,258)</u>	<u>(75,816,676)</u>	<u>(10,601,582)</u>
Net program revenue (expense)	<u>(8,198,358)</u>	<u>(9,280,760)</u>	<u>1,082,402</u>
General revenues:			
Earnings on investments	-	-	-
Special items	-	-	-
Extraordinary items	-	-	-
Contributions to permanent and term endowments	-	-	-
Transfers:			
State appropriations	13,562,113	11,792,079	1,770,034
Research infrastructure bond proceeds	1,181,693	-	1,181,693
Other transfers in from state agencies	<u>15,844</u>	<u>926,747</u>	<u>(910,903)</u>
Total general revenue and transfers	<u>14,759,650</u>	<u>12,718,826</u>	<u>2,040,824</u>
Changes in net assets	6,561,292	3,438,066	3,123,226
Net assets - beginning	<u>64,594,318</u>	<u>61,156,252</u>	<u>3,438,066</u>
Net assets - ending	\$ <u><u>71,155,610</u></u>	\$ <u><u>64,594,318</u></u>	\$ <u><u>6,561,292</u></u>

COASTAL CAROLINA UNIVERSITY
SCHEDULE RECONCILING STATE APPROPRIATION PER THE FINANCIAL STATEMENTS
TO STATE APPROPRIATION RECORDED IN STATE ACCOUNTING RECORDS
For the Year Ended June 30, 2006

Following is a reconciliation of the original base budget amount presented in the General Funds Column of Section 5F of Part IA of the 2005-2006 Appropriation Act enacted by the South Carolina General Assembly to State appropriations revenue reported in the financial statements for the year ended June 30, 2006:

Non-capital appropriations:

Original appropriation	\$ 11,748,195
Technology Grant Program	802,846
Supplemental appropriation for the Sciences	500,000
State Budget and Control Board allocations for employee base pay increases and related employee benefits	504,772
South Carolina Endowment Incentive Act of 1997	6,300
	<u>13,562,113</u>

Research Infrastructure Bond Proceeds:

Proceeds drawn during the current fiscal year	1,000,000
Plus: Expenses incurred but not drawn during the current fiscal year	<u>181,693</u>
Total research infrastructure bond proceeds recorded as current year revenue	<u>\$ 1,181,693</u>

COASTAL CAROLINA UNIVERSITY
SCHEDULE OF TUITION FEES
For the Year Ended June 30, 2006

South Carolina Code of Laws Section 59-107-90 requires that the maximum amount of annual debt service on State institution bonds for each institution shall not exceed ninety percent of the sums received from tuition fees (as defined by Code Section 59-107-30) for the preceding year. The applicable amount for the year ended June 30, 2006 is as follows:

Amount of tuition fees as defined by Code Section 59-107-30 for the fiscal year ended June 30, 2005

\$ 1,344,290

Legal annual debt service limit at June 30, 2006

\$ 1,209,861

COASTAL CAROLINA UNIVERSITY COMPREHENSIVE ANNUAL FINANCIAL REPORT



STATISTICAL SECTION

This part of the University's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the University's overall financial health. Unless otherwise noted, the information in this section is derived from the comprehensive annual financial report of the relevant year. The University implemented GASB Statement No. 34 in 2002; certain schedules include information beginning in that year

FINANCIAL TRENDS

These schedules contain trend information to help the reader understand how the University's financial performance and well-being have changed over time.

Schedule 1
Coastal Carolina University
Schedule of Net Assets by Component
Fiscal Years 2002 - 2006

	For the year ended June 30				
	2006	2005	2004	2003	2002
Net Assets					
Invested in capital assets, net of debt	\$ 57,050,243	\$ 54,822,552	\$ 53,844,656	\$ 48,759,779	\$ 49,347,474
Restricted - non-expendable	97,953	102,626	102,934	103,546	101,260
Restricted - expendable	3,119,736	637,981	1,238,953	5,282,000	42,477
Unrestricted	10,887,678	9,031,159	5,969,709	4,396,078	5,608,593
Total Net Assets	\$ 71,155,610	\$ 64,594,318	\$ 61,156,252	\$ 58,541,403	\$ 55,099,804

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2002-2006 are available.

Schedule 2

Coastal Carolina University

Schedule of Major Revenue Sources

Fiscal Years 2002 - 2006

	For the year ended June 30						(percentages of total)					
	(dollars)											
	2006	2005	2004	2003	2002		2006	2005	2004	2003	2002	
Tuition, net of allowance	\$ 51,186,504	\$ 43,074,537	\$ 35,779,409	\$ 28,458,464	\$ 24,037,171		56.3%	54.7%	51.3%	47.7%	45.3%	
State grants to students	6,368,500	5,637,258	4,493,503	3,360,109	1,491,237		7.0%	7.2%	6.4%	5.6%	2.8%	
Federal grants to students	4,631,878	4,866,852	4,403,041	3,941,964	3,427,673		5.1%	6.2%	6.3%	6.6%	6.5%	
Other operating grants	2,643,014	2,104,181	2,736,269	2,412,206	2,276,642		2.9%	2.7%	3.9%	4.0%	4.3%	
Sales and services of educ activities	1,957,787	1,788,649	1,734,367	965,243	833,697		2.2%	2.3%	2.5%	1.6%	1.6%	
Auxiliary enterprises, net of allowance	6,538,216	5,305,441	5,149,927	4,670,935	4,734,807		7.2%	6.7%	7.4%	7.8%	8.9%	
Other fees	1,125,867	999,332	861,376	652,174	671,842		1.2%	1.3%	1.2%	1.1%	1.3%	
Total operating revenue	74,451,766	63,776,250	55,157,891	44,461,094	37,473,069		81.9%	81.0%	79.1%	74.6%	70.6%	
State appropriations	13,562,113	11,792,079	11,220,170	12,579,167	14,110,923		14.9%	15.0%	16.1%	21.1%	26.6%	
Local appropriations	338,539	214,889	218,067	243,480	312,160		0.4%	0.3%	0.3%	0.4%	0.6%	
Gifts	2,074,663	2,503,349	3,047,176	1,450,680	910,878		2.3%	3.2%	4.4%	2.4%	1.7%	
Investment income	425,808	402,465	92,668	903,026	286,067		0.5%	0.5%	0.1%	1.5%	0.5%	
Total non-operating revenue	16,401,123	14,912,782	14,578,081	15,176,353	15,620,028		18.1%	19.0%	20.9%	25.4%	29.4%	
Total non-capital revenue	\$ 90,852,889	\$ 78,689,032	\$ 69,735,972	\$ 59,637,447	\$ 53,093,097		100%	100%	100%	100%	100%	

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2002-2006 are available.

Schedule 3
Coastal Carolina University
Schedule of Expenses by Function
Fiscal Years 2002 - 2006

	For the year ended June 30										(percentages of total)
	(dollars)										
	2006	2005	2004	2003	2002	2006	2005	2004	2003	2002	
Instruction	\$ 30,302,652	\$ 27,433,692	\$ 25,798,618	\$ 22,786,032	\$ 19,780,013	35.1%	36.2%	37.4%	37.8%	38.2%	
Research	1,130,243	689,398	966,347	743,184	757,827	1.3%	0.9%	1.4%	1.2%	1.5%	
Public Service	1,402,660	1,188,870	1,533,278	1,290,221	1,284,841	1.6%	1.6%	2.2%	2.1%	2.5%	
Academic Support	5,444,440	5,193,271	4,485,906	4,032,686	3,833,185	6.3%	6.9%	6.5%	6.7%	7.4%	
Student Services	12,499,087	10,836,863	9,341,425	8,053,622	6,499,506	14.5%	14.3%	13.5%	13.4%	12.5%	
Institutional Support	8,180,490	7,383,968	6,374,436	5,645,194	4,806,304	9.5%	9.7%	9.2%	9.4%	9.3%	
Plant Operation	12,700,415	9,488,335	7,330,871	6,266,252	5,317,545	14.7%	12.5%	10.6%	10.4%	10.3%	
Scholarships	5,555,772	5,639,316	5,001,247	4,630,717	3,229,858	6.4%	7.4%	7.2%	7.7%	6.2%	
Auxiliary Enterprises	4,384,077	3,336,934	3,509,497	2,695,134	2,398,956	5.1%	4.4%	5.1%	4.5%	4.6%	
Depreciation	3,190,958	2,922,724	2,768,983	2,318,304	2,176,237	3.7%	3.9%	4.0%	3.8%	4.2%	
Total operating expenses	84,790,794	74,113,371	67,110,608	58,461,346	50,084,272	98.1%	97.8%	97.3%	97.1%	96.6%	
Interest on capital debt	1,627,464	1,690,726	1,883,691	1,766,286	1,763,453	1.9%	2.2%	2.7%	2.9%	3.4%	
Total non-operating expenses	1,627,464	1,690,726	1,883,691	1,766,286	1,763,453	1.9%	2.2%	2.7%	2.9%	3.4%	
Total expenses	\$ 86,418,258	\$ 75,804,097	\$ 68,994,299	\$ 60,227,632	\$ 51,847,725	100.0%	100.0%	100.0%	100.0%	100.0%	

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2002-2006 are reported.

Schedule 4
Coastal Carolina University
Schedule of Expenses by Use
Fiscal Years 2002 - 2006

	For the year ended June 30										(percentages of total)
	2006	2005	2004	2003	2002	2006	2005	2004	2003	2002	2002
Personnel costs and benefits	\$ 52,396,576	\$ 46,868,903	\$ 42,104,080	\$ 37,919,803	\$ 33,697,871	60.6%	61.8%	61.0%	63.0%	65.0%	65.0%
Services and supplies	20,422,732	16,433,595	15,184,331	11,750,783	9,472,102	23.6%	21.7%	22.0%	19.5%	18.3%	18.3%
Utilities	3,447,960	2,562,796	2,300,106	2,095,677	1,762,842	4.0%	3.4%	3.3%	3.5%	3.4%	3.4%
Scholarships	5,332,568	5,325,354	4,753,108	4,376,779	2,975,220	6.2%	7.0%	6.9%	7.3%	5.7%	5.7%
Depreciation	3,190,958	2,922,723	2,768,983	2,318,304	2,176,237	3.7%	3.9%	4.0%	3.8%	4.2%	4.2%
Total operating expenses	84,790,794	74,113,371	67,110,608	58,461,346	50,084,272	98.1%	97.8%	97.3%	97.1%	96.6%	96.6%
Interest on capital asset debt	1,627,464	1,690,726	1,883,691	1,766,286	1,763,453	1.9%	2.2%	2.7%	2.9%	3.4%	3.4%
Total non-operating expenses	1,627,464	1,690,726	1,883,691	1,766,286	1,763,453	1.9%	2.2%	2.7%	2.9%	3.4%	3.4%
Total expenses	\$ 86,418,258	\$ 75,804,097	\$ 68,994,299	\$ 60,227,632	\$ 51,847,725	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2002-2006 are available.

Schedule 5
Coastal Carolina University
Schedule of Other Changes in Net Assets
Fiscal Years 2002 - 2006

	For the year ended June 30			
	2006	2005	2004	2003
Income before other changes in net assets	\$ 4,434,631	\$ 2,884,935	\$ 741,673	\$ (590,185)
State capital grants and appropriations	1,246,339	-	178,719	3,821,281
Federal capital grants and appropriations	193,939	-	-	151,733
Local and other capital grants and appropriations	686,383	553,131	1,694,457	58,770
Total change in net assets	\$ 6,561,292	\$ 3,438,066	\$ 2,614,849	\$ 3,441,599
				\$ 2,661,036

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2002-2006 are reported.

Note: State capital grants and appropriations

Amounts received in 2002 and 2003 were for construction of the football stadium. The 2006 amount represents over \$1 million in state research infrastructure bond proceeds for complete renovation of the Kearns Hall classroom building.

Note: Local and other capital grants and appropriations

In 2002, almost \$900,000 of local gift funding was received from the Coastal Educational Foundation to furnish the new Humanities building and the new University Hall and Welcome Center. In 2005 over \$900,000 was received from the Horry County Higher Education Commission for upgrades to the building housing the Center for Marine and Wetlands Studies.

REVENUE CAPACITY

These schedules and charts contain information to help the reader assess the factors affecting the University's ability to generate its operating revenue.

Schedule 6

Coastal Carolina University

Schedule of Applications, Enrollment, and Degrees Awarded

Last Ten Academic Years

	Academic Year Beginning										Ten Year
	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	Change
ADMISSIONS - FRESHMEN											
Applications	5,427	5,041	4,527	3,603	3,094	2,533	2,420	2,473	2,354	2,475	119%
Applications accepted	4,016	3,661	3,208	2,580	2,296	1,813	1,753	1,944	1,850	1,907	111%
Accepted as a percentage of applications	74%	73%	71%	72%	74%	72%	72%	79%	79%	77%	
Students enrolled	1,498	1,323	1,272	1,078	941	792	766	877	841	833	80%
Students enrolled as a percentage of accepted	37%	36%	40%	42%	41%	44%	44%	45%	45%	44%	
SAT scores - total	1046	1041	1045	1044	1042	1026	1032	1004	1008	1001	4%
ENROLLMENT											
Headcount enrollment											
Undergraduate	6,397	6,020	5,610	5,058	4,771	4,405	4,370	4,428	4,283	4,304	49%
Graduate	1,041	1,001	1,170	922	194	248	245	128	125	173	502%
Full time equivalent enrollment											
Undergraduate	6,140	5,807	5,392	4,796	4,428	4,026	3,919	3,894	3,845	3,744	64%
Graduate	436	334	403	299	59	75	72	49	29	49	790%
Residency for Fee Payment Purposes*											
Undergraduate, State Residents	4,519	4,319	4,128	3,804	3,541	3,347	3,378	3,366	3,331	3,229	40%
Undergraduate, Out of State Residents	1,878	1,701	1,482	1,254	1,230	1,058	992	1,062	952	1,075	75%
Headcount Total by Fee Payment Purposes	6,397	6,020	5,610	5,058	4,771	4,405	4,370	4,428	4,283	4,304	49%
Percent of Undergraduates paying as Residents											
Percent of Undergraduates paying as Non-residents	71%	72%	74%	75%	74%	76%	77%	76%	78%	75%	
Required Tuition and Fees**											
Undergraduate, In State, Full Time	\$ 6,860	\$ 6,100	\$ 5,190	\$ 4,350	\$ 3,770	\$ 3,500	\$ 3,340	\$ 3,220	\$ 3,100	\$ 2,910	136%
Undergraduate, Out of State, Full Time	\$15,100	\$14,200	\$12,870	\$11,760	\$10,680	\$ 9,810	\$ 9,280	\$ 8,790	\$ 8,320	\$ 7,840	93%
Non-resident: Resident Fee Ratio	2.20	2.33	2.48	2.70	2.83	2.80	2.78	2.73	2.68	2.69	
DEGREES AWARDED											
Bachelor's	887	768	801	690	657	619	636	527	557	503	76%
Master's	49	30	29	31	27	20	21	23	26	12	308%

* Scholarship recipients who are non-residents may receive a partial or full waiver of the out-of-state fee differential

** Does not include room and board

Schedule 7
Coastal Carolina University
Schedule of Undergraduate Annual Full Time Equivalent Tuition and Fees
at all South Carolina Public Four-Year Institutions
Last Ten Academic Years

	Academic Year Beginning in Fall										Ten Year
	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	Change
The Citadel	\$ 6,522	\$ 5,900	\$ 4,999	\$ 4,067	\$ 3,727	\$ 3,404	\$ 3,396	\$ 3,631	\$ 3,498	\$ 3,297	97.8%
Clemson University	8,816	7,816	6,934	5,834	5,090	3,590	3,470	3,344	3,252	3,112	183.3%
Coastal Carolina University	6,860	6,100	5,190	4,350	3,770	3,500	3,340	3,220	3,100	2,910	135.7%
College of Charleston	6,668	6,202	5,770	4,858	3,780	3,630	3,520	3,390	3,290	3,190	109.0%
Francis Marion University	5,984	5,540	5,082	4,340	3,790	3,600	3,350	3,350	3,270	3,010	98.8%
Lander University	6,588	5,866	5,400	4,704	4,152	3,888	3,700	3,700	3,600	3,550	85.6%
South Carolina State University	6,480	6,170	5,570	4,556	4,096	3,724	3,410	3,184	2,974	2,730	137.4%
University of South Carolina											
Columbia	7,314	6,416	5,778	4,984	4,064	3,868	3,740	3,530	3,534	3,363	117.5%
Aiken	6,156	5,622	5,065	4,404	3,738	3,558	3,318	3,018	2,974	2,708	127.3%
Beaufort	5,214	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Upstate	6,724	6,060	5,460	4,748	3,868	3,624	4,126	4,032	3,918	2,708	148.3%
Winthrop University	\$ 8,756	\$ 7,816	\$ 6,652	\$ 5,600	\$ 4,668	\$ 4,262	\$ 4,126	\$ 4,032	\$ 3,918	\$ 3,818	129.3%
Average	\$ 7,462	\$ 6,319	\$ 5,627	\$ 4,768	\$ 4,068	\$ 3,695	\$ 3,591	\$ 3,494	\$ 3,393	\$ 3,127	138.6%

DEBT CAPACITY

These schedules present information to help the reader assess the affordability of the University's current levels of outstanding debt and the University's ability to issue debt in the future •

Schedule 8
Coastal Carolina University
Schedule of Ratios of Outstanding Debt
Last Ten Fiscal Years

	For the year ended June 30									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
General Bonded Debt										
General obligation bonds	\$ 7,935,000	\$ 8,220,000	\$ 8,490,000	\$ 8,750,000	\$ -	\$ 325,000	\$ 640,000	\$ 940,000	\$ 1,230,000	\$ 1,505,000
Total general bonded debt	\$ 7,935,000	\$ 8,220,000	\$ 8,490,000	\$ 8,750,000	\$ -	\$ 325,000	\$ 640,000	\$ 940,000	\$ 1,230,000	\$ 1,505,000
Per full-time equivalent student	\$ 1,220	\$ 1,339	\$ 1,465	\$ 1,717	\$ -	\$ 79	\$ 160	\$ 238	\$ 318	\$ 397
Other Debt										
Revenue bonds	\$ 24,600,000	\$ 25,425,000	\$ 26,215,000	\$ 26,855,000	\$ 27,565,000	\$ 28,240,000	\$ 28,875,000	\$ 29,195,000	\$ 13,040,000	\$ 13,285,000
Capital lease obligations	467,052	562,379	834,930	216,978	251,074	-	-	-	-	-
Total outstanding debt	\$ 33,002,052	\$ 34,207,379	\$ 35,539,930	\$ 35,821,978	\$ 27,816,074	\$ 28,565,000	\$ 29,515,000	\$ 30,135,000	\$ 14,270,000	\$ 14,790,000
Per full-time equivalent student	\$ 5,073	\$ 5,570	\$ 6,133	\$ 7,031	\$ 6,199	\$ 6,965	\$ 7,395	\$ 7,643	\$ 3,684	\$ 3,899

Schedule 9
Coastal Carolina University
Schedule of Debt Service Coverage on Revenue Bonds
Fiscal Years 2002 - 2006

REVENUE BONDS	For the year ended June 30			
	2006	2005	2004	2003
Revenues	\$ 59,884,941	\$ 50,441,023	\$ 44,878,156	\$ 35,566,512
Expenses	53,701,011	46,408,826	40,255,735	33,338,327
Net Revenues Available for Debt Service	\$ 6,183,930	\$ 4,032,197	\$ 4,622,421	\$ 2,228,185
Debt Service, Revenue Bonds	\$ 2,096,891	\$ 2,113,270	\$ 2,084,574	\$ 2,194,949
Coverage	2.95	1.91	2.22	1.02

Above revenues, expenses, and net revenues available for debt service have been determined in accordance with the requirements of the applicable bonds.

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2002-2006 are available.

Schedule 10
Coastal Carolina University
Schedule of Debt Service Coverage on General Obligation Bonds
Last Ten Fiscal Years

	For the year ended June 30									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
GENERAL OBLIGATION BONDS										
Tuition Pledged for Debt Service	\$ 1,687,780	\$ 1,344,290	\$ 968,436	\$ 864,426	\$ 841,252	\$ 603,631	\$ 577,234	\$ 585,013	\$ 574,413	\$ 538,760
Debt Service, General Obligation Bonds	\$ 614,439	\$ 605,532	\$ 378,335	\$ 175,647	\$ 335,969	\$ 340,020	\$ 338,160	\$ 340,302	\$ 336,732	\$ 337,698
Coverage	2.75	2.22	2.56	4.92	2.50	1.78	1.71	1.72	1.71	1.60

DEMOGRAPHIC AND ECONOMIC INFORMATION

These charts offer demographic and economic indicators to help the reader understand the environment within which the University's financial activities take place and to help make comparisons over time and with other universities

Schedule 11
Coastal Carolina University
South Carolina Employment by Industry
Last Completed Calendar Year and Nine Years Earlier

Sources	1996		2005	
	Number of Employees	Percent of Total	Number of Employees	Percent of Total
Contract construction.....	94,300	5.6%	117,100	6.3%
Manufacturing:				
Durable goods.....	144,500	8.6%	135,300	7.3%
Nondurable goods.....	221,500	13.2%	126,600	6.8%
Transportation, communication, and public utilities.....	73,700	4.4%	89,100	4.8%
Wholesale and retail trade:				
Wholesale.....	67,400	4.0%	67,100	3.6%
Retail.....	330,100	19.7%	229,300	12.3%
Finance, insurance and real estate.....	72,800	4.3%	97,900	5.3%
Services and mining.....	376,600	22.6%	669,700	36.0%
Government:				
Federal.....	28,400	1.7%	28,500	1.5%
State and local.....	266,200	15.9%	299,800	16.1%
Total wage and salary employment.....	1,675,500	100.0%	1,860,400	100.0%

Source: South Carolina Employment Security Commission

Note: Due to confidentiality issues, the number of employees for individual companies within the State is not available. The categories presented are intended to provide alternative information regarding the principal employers within the State.

Schedule 12

Coastal Carolina University

Top 20 Employers

Horry And Georgetown Counties, South Carolina

HORRY COUNTY

Horry County Department of Education
 Wal-Mart Associates, Inc.
 Horry County Government
 Myrtle Beach Farms
 AVX Corporation
 Coastal Carolina University
 Conway Medical Center
 Grand Strand Regional Medical Center
 City of Myrtle Beach
 Southeast Restaurants Corporation
 Loris Community Hospital & Extended Care
 Food Lion, LLC
 Horry Telephone Cooperative, Inc.
 Lowe's Home Centers Incorporated
 Horry-Georgetown Technical College
 Bluegreen Corporation
 OS Restaurant Services, Inc.
 Legends Resorts Employment
 Coastal International Security, Inc.
 Conbraco Industries, Inc.

GEORGETOWN COUNTY

Georgetown County Department of Education
 Georgetown Hospital System
 B E & K Construction Company
 International Paper
 County of Georgetown
 Palmetto Labor Services, LLC
 Myrtle Beach National Golf Club
 Wal-Mart Associates, Inc.
 Festiva Resorts Services, Inc.
 ISG Georgetown, Inc.
 City of Georgetown
 Santee Cooper - South Carolina Public Service Authority
 3V, Inc.
 Food Lion, LLC
 In Home Healthcare Services, Inc.
 G 2 Corporation
 Prince George Village
 Georgetown Greenhouses, Inc.
 Pawleys Plantation, LLC
 Moore Labor Service, LLC

Source:

South Carolina Employment Security Commission, January - March, 2005

Schedule 13
Coastal Carolina University
State and Regional
Population, Income, and Unemployment History
Last Ten Calendar Years

<u>Year</u>	<u>Population*</u>			<u>Per Capita Income*</u>			<u>Unemployment Rate (%)**</u>		
	<u>South Carolina</u>	<u>Horry County</u>	<u>Georgetown County</u>	<u>South Carolina</u>	<u>Horry County</u>	<u>Georgetown County</u>	<u>South Carolina</u>	<u>Horry County</u>	<u>Georgetown County</u>
2005	4,255,083	226,992	n/a	\$ 28,352	n/a	n/a	6.8	5.5	8.3
2004	4,197,892	217,635	59,851	27,185	26,170	28,103	6.8	5.7	9.4
2003	4,146,753	210,916	58,815	25,972	25,118	26,944	6.7	5.6	9.7
2002	4,102,568	205,991	58,053	25,361	24,326	26,165	5.9	5.1	8.2
2001	4,059,615	201,638	56,919	24,994	24,156	25,778	5.2	4.9	7.4
2000	4,023,560	198,048	56,107	24,424	23,933	24,254	3.6	3.5	5.3
1999	3,974,682	191,833	55,053	23,075	23,019	22,519	4.1	3.6	8.0
1998	3,919,235	186,009	53,920	22,161	21,988	21,488	3.6	3.6	7.5
1997	3,859,696	179,069	52,594	20,987	21,237	20,325	4.4	4.5	9.4
1996	3,796,200	171,864	51,724	\$ 20,058	\$ 20,175	\$ 19,737	5.6	5.2	11.7

Source:

* Bureau of Economic Analysis, Office of Research and Statistics (S. C. Budget and Control Board), Employment Security Commission

**U.S. Bureau of Labor Statistics and Real Estate at Texas A&M University

OPERATING INFORMATION

These schedules contain information about the University's operations and resources to help the reader understand how the University's information relates to the services the University provides and the activities it performs.

Schedule 14

Coastal Carolina University

Schedule of Average Faculty Salaries by Rank

Last Ten Academic Years

	Academic Year Beginning in Fall									
	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Coastal Carolina University										
Professor	\$71,845	\$68,471	\$62,559	\$63,186	\$61,614	\$59,810	\$58,286	\$56,774	\$54,600	\$50,310
Associate Professor	\$59,385	\$56,615	\$53,936	\$51,831	\$51,468	\$49,705	\$47,596	\$45,536	\$43,327	\$42,179
Assistant Professor	\$51,395	\$48,248	\$44,887	\$43,592	\$42,781	\$42,742	\$41,241	\$38,381	\$38,572	\$37,158
Instructor/Other	\$34,470	\$32,564	\$30,698	\$29,805	\$31,827	\$32,256	\$30,209	\$29,109	\$29,226	\$26,780
Average, all ranks	\$55,822	\$52,411	\$49,095	\$48,208	\$48,387	\$47,278	\$45,278	\$43,417	\$42,068	\$39,432
Average, per cent of										
South Carolina public universities	99.11%	97.15%	96.62%	98.77%	99.10%	99.37%	98.68%	97.76%	97.31%	93.41%
Average, per cent of SREB*	N/A	102.13%	99.67%	96.56%	97.41%	98.21%	98.11%	97.47%	99.32%	96.01%
Average, per cent of national**	81.55%	79.56%	78.18%	79.19%	81.28%	79.97%	78.89%	78.89%	81.71%	78.88%
South Carolina Public Universities										
Professor	\$69,949	\$66,270	\$61,351	\$62,615	\$61,760	\$60,094	\$57,363	\$55,369	\$53,103	\$51,270
Associate Professor	\$59,267	\$56,901	\$53,415	\$51,443	\$50,243	\$48,911	\$46,787	\$45,088	\$43,345	\$42,721
Assistant Professor	\$49,373	\$46,761	\$44,468	\$43,728	\$42,936	\$42,682	\$40,463	\$38,666	\$38,452	\$38,899
Instructor/Other	\$40,443	\$40,350	\$37,059	\$35,448	\$35,470	\$33,945	\$32,444	\$31,327	\$30,076	\$28,720
Average, all ranks	\$56,326	\$53,949	\$50,814	\$48,809	\$48,827	\$47,578	\$45,884	\$44,411	\$43,231	\$42,215
Southern (SREB*) Average	N/A	\$51,318	\$49,260	\$49,927	\$49,674	\$48,142	\$46,148	\$44,542	\$42,358	\$41,071
National** (CUPA) Average	\$68,454	\$65,875	\$62,800	\$60,880	\$59,532	\$59,123	\$57,394	\$55,038	\$51,485	\$49,990

Source: United States Department of Education Integrated Post Secondary Educational Data Survey (IPEDS), converted to nine month basis.

*Southern Regional Education Board

**College and University Professional Association

Schedule 15
Coastal Carolina University
Faculty, Staff and Administrative Statistics
Last Ten Academic Years

	For the year ended June 30									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Full-time faculty	255	244	238	209	189	190	181	185	187	176
Part-time faculty	120	133	133	103	122	133	103	95	79	119
Total faculty	375	377	371	312	311	323	284	280	266	295
Full-time staff/administrators	455	443	408	393	368	353	336	328	309	303
Part-time staff/administrators	155	102	58	116	91	92	63	50	36	48
Total staff/administrators	610	545	466	509	459	445	399	378	345	351
Total full-time employees	710	687	646	602	557	543	517	513	496	479
Total employees	985	922	837	821	770	768	683	658	611	646
Part-time faculty FTE (full time equivalent)	106.1	100.4	93.3	64.0	53.0	48.7	46.5	38.3	50.4	46.4
Total teaching faculty FTE	339.1	320.4	301.3	264.0	232.0	228.7	222.5	213.3	225.4	198.1
Ratios:										
Full-time faculty: Full-time staff/administrators	0.56	0.55	0.58	0.53	0.51	0.54	0.54	0.56	0.61	0.58
Total faculty: Total staff and administrators	0.61	0.69	0.80	0.61	0.68	0.73	0.71	0.74	0.77	0.84
Part-time faculty: Total faculty	0.32	0.35	0.36	0.33	0.39	0.41	0.36	0.34	0.30	0.40

Schedule 16
Coastal Carolina University
Schedule of Capital Asset Information
2005 - 2006

Buildings – Assignable Area Square Feet

Instruction	226,247
Research	675
Public Service	3,377
Academic Support	58,659
Student Services	103,185
Institutional Support	49,605
Plant Operation and Maintenance	37,393
Auxiliary Enterprises	280,523
Other	13,840

Library

Number of volumes	152,823
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Dormitories - Number of beds

Main Campus	1,222
University Place	987

Athletic and Intramural Facilities

Stadiums and arenas	3
Extramural and intramural fields	3
Track facility	1
Golf course	1
Pool	1
Gymnasiums	2
Fitness centers	2
Tennis courts	8
Racquetball courts	2

COASTAL CAROLINA UNIVERSITY COMPREHENSIVE ANNUAL FINANCIAL REPORT



SINGLE AUDIT SECTION

WALDA WILDMAN, LLC
CERTIFIED PUBLIC ACCOUNTANT

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

September 12, 2006

Mr. Richard H. Gilbert, Jr., CPA
Deputy State Auditor
Office of the State Auditor
State of South Carolina
Columbia, South Carolina

I have audited the financial statements of Coastal Carolina University as of and for the year ended June 30, 2006 and have issued my report thereon dated September 12, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing my audit, I considered the University's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

I noted certain other matters that I reported to management of the University in a separate letter dated September 12, 2006.

This report is intended solely for the information and use of the audit committee, management, the Office of the State Auditor, and the federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Walda Wildman LLC

WALDA WILDMAN, LLC
Certified Public Accountant

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

September 12, 2006

Mr. Richard H. Gilbert, Jr., CPA
Deputy State Auditor
Office of the State Auditor
State of South Carolina
Columbia, South Carolina

Compliance

I have audited the compliance of Coastal Carolina University with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. Coastal Carolina University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the University's management. My responsibility is to express an opinion on the University's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the University's compliance with those requirements.

In my opinion, the University complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control over Compliance

The management of the University is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the University's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my

auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, the Office of the State Auditor, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Walda Wildman LLC

WALDA WILDMAN, LLC
Certified Public Accountant

COASTAL CAROLINA UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2006

1. SUMMARY OF AUDITOR'S RESULTS:

- (i.) An unqualified opinion was issued on the financial statements of Coastal Carolina University.
- (ii.) The audit of the basic financial statements disclosed no reportable conditions in internal control.
- (iii.) The audit disclosed no instances of noncompliance with laws, regulations and the provisions of contracts and grant agreements which were material to the financial statements.
- (iv.) The audit disclosed no reportable conditions in internal control over major programs.
- (v.) An unqualified opinion was issued on compliance for major programs.
- (vi.) The audit disclosed no findings related to Federal awards.
- (vii.) Major Federal programs for Coastal Carolina University for the fiscal year ended June 30, 2006 are:

<u>Program Name</u>	<u>CFDA Number</u>
Research and Development Cluster	
Sea Grant Support	11.417
Coastal Zone Management Administration Awards	11.419
Financial Assistance for National Centers for Coastal Ocean Science	11.426
Beach Erosion Control Projects	12.101
State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113
Coastal Program	15.630
U. S. Geological Survey - Research and Data Collection	15.808
National Cooperative Geologic Mapping Program	15.810
Aerospace Education Services Program	43.001
Geosciences	47.050
Biological Sciences	47.074
Social, Behavioral and Economic Sciences	47.075
Education and Human Resources	47.076
Regional Wetland Program Development Grants	66.461
State Energy Program Special Projects	81.119
Microbiology and Infectious Diseases Research	93.856
Student Financial Aid Cluster	
Federal Supplemental Educational Opportunity Grants	84.007
Federal Family Education Loans	84.032
Federal Work-study Program	84.033
Federal Pell Grant Program	84.063

- (viii.) The threshold for determining Type A programs for Coastal Carolina University was \$300,000 for the year.
- (ix.) Coastal Carolina qualified as a low-risk auditee under Section .530 of Circular No. A-133.

2. FINDINGS RELATED TO THE AUDIT OF THE BASIC FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS: None.

3. FINDINGS AND QUESTIONED COSTS RELATED TO THE AUDIT OF FEDERAL AWARDS: None.

COASTAL CAROLINA UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2006

Page 1 of 5

Federal Grantor/Pass through Grantor/Program Title	CFDA Number	Pass-through Grantor's Number	Expenditures
RESEARCH AND DEVELOPMENT CLUSTER			
DEPARTMENT OF COMMERCE			
<i>Passed through Department of Natural Resources</i>			
Developing Approaches and Associated Metrics for Determining Intertidal Oyster Restoration Success	11.417	NA16RG2250, AM#7	\$ 6,365
<i>Passed through South Carolina Sea Grant Consortium</i>			
Project BERM: Beach Erosion Research and Management	11.417	Q66M	45,013
Framework Geology of the Active Shoreface Along the Grand Strand Region of South Carolina	11.417	Q66B	45,096
Data Management & Dissemination through Web-Based and Online Content for the South Carolina Coastal Erosion Study	11.417	Q66H	35,002
Changes in the Geologic Framework of Grand Strand: Regional Stratigraphy, Onshore-Offshore Correlation, Data Integration and Final Synthesis	11.417	Q66H	26,637
Geologic Framework of the Active Shoreface: Grand Strand Region of South Carolina BERM 2006	11.417	Q76L	43,854
Geologic Framework of the Active Shoreface: Grand Strand Region of South Carolina	11.417	Q76B	18,069
The Onshore Geologic Framework of South Carolina's Grand Strand: Adding to the Regional Stratigraphy and Geomorphology	11.417	Q76H	9,949
South Carolina-Georgia Coastal Erosion Study: GIS Data Compilation, Data Management and Shoreline Change Study	11.417	Q76F	13,927
An Integrated Response to Nearshore Hypoxia Events through Coastal Ocean Observing Systems Subcontract	11.417	NA04NOS4730254	5,000
Mapping Submarine Groundwater Seeps on the South Carolina Continental Shelf	11.417	NA060AR4170015	30
OCRM BERM June 2006	11.417	E432 PO#635496	17,108
Effects of Inlet Restoration on Control of Invasive Species, Reestablishment of Native Coastal Habitats and Tidal Exchanges at Sandpiper Pond, SC	11.417	P/M-2D-V310	6,424
<i>Passed through University of South Carolina</i>			
Murrells Inlet SAMP Stormwater BMP Assessment Subcontract with USC	11.417	NA04NOS4261154	19,296
			<u>291,768</u>
<i>Passed through South Carolina Department of Health and Environmental Control</i>			
State of South Carolina Beaches: Compilation of SC Beach Profiling Programs 1988-2004	11.419	NA03NOS4190101	18,883
<i>Passed through South Carolina Sea Grant Consortium</i>			
Identification of Coastal Hypoxia Mechanisms and Hypoxia Monitoring in Inner Shelf Waters of Long Bay, South Carolina	11.419	NA04NOS4190057	9,259
			<u>28,142</u>
<i>Passed through South Carolina Department of Health and Environmental Control</i>			
Water Quality Monitoring of Murrells Inlet SAMP Projects	11.426	NA160A2952	18,743

Continued

COASTAL CAROLINA UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2006

Page 2 of 5

Federal Grantor/Pass through Grantor/Program Title	CFDA Number	Pass-through Grantor's Number	Expenditures
DEPARTMENT OF DEFENSE			
Long-Term Management Strategies for Sediment Control	12.101	W912HP-05-20001	20,000
<i>Passed through the Department of Natural Resources</i>			
Charleston ODMDS Index Reef Characterization 2003	12.113	DNR#00700-83527	132
Monitoring Studies at the Charleston Ocean Dredged Material Disposal Site	12.113	00700-83527	28,463
Beach Profiles 2006: Grand Strand Nourishment Project	12.113	WP12HP-05-20001	15,036
			<u>43,631</u>
DEPARTMENT OF INTERIOR			
Coastal Watershed Habitat Assessment	15.630	401816J048	1,228
<i>Passed through South Carolina Sea Grant Consortium</i>			
Geologic Framework of the Beach and Shoreface of the North Carolina Coast: Lining the Beach and Inner Shelf	15.808	00HAAG0208USGS	251
EDMAP 2005	15.810	05HQAG0008	3,282
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			
<i>Passed through College of Charleston</i>			
A visit to NASA JPL to advance gravity wave research	43.001	NNG050GI68G	1,938
Development of Remote Sensing & Image Analysis Curricula for Integration into Selected Marine Science Courses	43.001	NNG05GI68G	4,076
			<u>6,014</u>
NATIONAL SCIENCE FOUNDATION			
Collaborative Research: Acquisition of a Dual, Complementary Ground Penetrating Radar System for Geoscience Research and Teaching in South Carolina	47.050	EAR-0323338	752
<i>Passed through The College of William and Mary</i>			
REU Site: Integrated Geological and Geophysical Research Focused on Understanding the Landscape History of the Fish Lake Plateau, Central Utah	47.050	CCU1261	8,831
Acquisition of a Small Computing Cluster for Atmospheric Studies	47.050	ATM-0521002	63,943
<i>Passed through SCEPSCoR/IDEA office</i>			
Immobilized Iron Porphyrins in Catalytic Peroxynitrite Decomposition	47.050	2 P20 RR16461	51,790

Continued

COASTAL CAROLINA UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2006

Page 3 of 5

Federal Grantor/Pass through Grantor/Program Title	CFDA Number	Pass-through Grantor's Number	Expenditures
RUI: Stratospheric Warming and It's Relationship to Surface Climate	47.050	ATM-0213248	39,978
			<u>165,294</u>
Mobile Link Organisms as Processors and Transporters of Materials within a Marsh-Estuarine Ecosystem	47.074	DEB-0427853	219,576
<i>Passed through United States Civilian Research and Development Foundation</i>			
Identifying Reactive Intermediates in the Mechanism of Catalytic Oxo-Tranfer Reactions Performed by Metalloporphyrins	47.075	Prop #14939	3,709
Middle School Science Curriculum Materials: Meeting Standars and Fostering Inquiry through Project-Based Inquiry Science Units	47.076	C36-A98-G2-A1	11,395
ENVIRONMENTAL PROTECTION AGENCY			
Community-Based Watershed Management Planning for the Waccamaw Basin Starting with the Kingston Lake Watershed	66.461	CD-96416205-0	85,764
DEPARTMENT OF ENERGY			
EPSOR: Thermodynamic and X-ray Studies of Electricallys-Ordered Absorbed Phases	81.119	DEFG0201ER45895	2,095
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Investigation of CD8* T Cell-Mediated Inflammation in the CNS	93.856	IR15AI06071-01	35,319
TOTAL RESEARCH AND DEVELOPMENT CLUSTER			<u>936,211</u>
DEPARTMENT OF COMMERCE			
<i>Passed through South Carolina Sea Grant Consortium</i>			
Year 2 Expanding the Rising Tide Project: Changing How Researchers, Educators and Students Work Together	11.417	NA16RG2250, AM7	47,641
<i>Passed through South Carolina Sea Grant Consortium</i>			
Native Coastal Habitats and Tidal Exchanges at Sandpiper Pond, SC Watershed Conference	11.417	P/M-2N	(710)
			<u>46,931</u>
DEPARTMENT OF JUSTICE			
<i>Passed through South Carolina Department of Public Safety</i>			
FFY05 VOCA Rape Aggression Defense Training Project	16.588	IV03120	5,739

Continued

COASTAL CAROLINA UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2006

Page 4 of 5

Federal Grantor/Pass through Grantor/Program Title	CFDA Number	Pass-through Grantor's Number	Expenditures
<i>Passed through South Carolina Department of Public Safety</i>			
CCU Public Safety Department Radio System Upgrade	16.738	ID05007	72,626
NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES			
Preservation Assistance Grant	45.149	PA-50931-05	2,853
NATIONAL SCIENCE FOUNDATION			
Physical Oceanography Curriculum Development	47.050	310474	25,104
Coastal Quest: Developing a Learnscape Approach for Edutourism	47.050	ESI-0532150	31,105
			<u>56,209</u>
<i>Passed through South Carolina Experimental Program to Simulate Competitive</i>			
Research and Institutional Development Awards			
RAIN Conference II	47.076	EPS-00447660	4,910
ENVIRONMENTAL PROTECTION AGENCY			
<i>Passed through Friends of Huntington Beach State Park</i>			
Friends of Huntington Beach State Park Sandpiper Pond Restoration of Wetlands and Coastal Habitat	66.461	N/A	7,840
STUDENT FINANCIAL AID CLUSTER			
DEPARTMENT OF EDUCATION			
Federal Supplemental Education Opportunity Grants	84.007	PO07A057401	201,224
Federal Family Education Loans	84.032	N/A	28,987,041
Federal Work-Study Program	84.033	PO33A057401	175,438
Federal Pell Grant Program	84.063	PO63PO32202	12,707
Federal Pell Grant Program	84.063	PO063PO52202	4,255,944
			<u>4,268,651</u>
TOTAL STUDENT FINANCIAL AID CLUSTER			<u>33,632,354</u>
US DEPTMENT OF EDUCATION			
<i>Passed through the South Carolina Department of Education</i>			
Proposal for Advanced Study in Physical Science (Chemistry and Physics) Summer 06	84.366	06MS310-03	4,922

Continued

COASTAL CAROLINA UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2006

Page 5 of 5

Federal Grantor/Pass through Grantor/Program Title	CFDA Number	Pass-through Grantor's Number	Expenditures
<i>Passed through National Writing Project</i>			
Technology Matters Mini-grant 2005-2006	84.928	A#13 94-SC03	905
Coastal Area Writing Project 2004-2005	84.928	94-SC03#11	47,192
			<u>48,097</u>
 DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed through National Youth Sports Corporation</i>			
National Youth Sports Summer Program at Coastal Carolina University	93.570	N/A	27,338
<i>Passed through Medical University of South Carolina</i>			
SC Consortium of Geriatric Education Centers Grant	93.969	HRS#1D31HP70148	5,263
 DEPARTMENT OF HOMELAND SECURITY			
<i>Passed through State of South Carolina, Office of Adjutant General, Emergency Preparedness</i>			
Hazard Mitigation Grant	97.039	N/A	193,939
Total expended			<u><u>\$ 35,045,232</u></u>

* Indicates Major Program

COASTAL CAROLINA UNIVERSITY
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2006

1. Summary of Significant Accounting Policies

Basis of Accounting

The Schedule of Expenditures of Federal Awards was prepared on the accrual basis of accounting.

2. Pass-through Grants to Sub-recipients

The University passed amounts through to sub-recipients:

Federal Grantor/Pass through Grantor/Program Title	CFDA Number	Pass-through Grantor's Number	Pass-through Recipient	Pass-through Amount
Year 2 Expanding the Rising Tide Project: Changing How Researchers, Educators and Students Work Together	11.417	NA16RG2250, AM7	College of Charleston	\$ 15,669
Year 2 Expanding the Rising Tide Project: Changing How Researchers, Educators and Students Work Together	11.417	NA16RG2250, AM7	University of South Carolina	23,380
Mobile Link Organisms as Processors and Transporters of Materials Within a Marsh-Estuarine Ecosystem	47.074	DEB-0427853	University of South Carolina	80,231
Community-Based Watershed Management Planning for the Waccamaw Basin Starting with the Kingston Lake Watershed	66.461	CD-96416205-0	Center for Watershed Protection	<u>22,852</u>
				<u>\$ 142,132</u>

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AUDITOR'S COMMENTS

September 12, 2006

Mr. Richard H. Gilbert, Jr., CPA
Deputy State Auditor
Office of the State Auditor
State of South Carolina
Columbia, South Carolina

During my audit of the financial statements of Coastal Carolina University as of and for the year ended June 30, 2006, the following immaterial matters came to my attention:

Suspended and Debarred Contractors

Criteria

One of the general requirements applicable to the expenditure of federal awards is that vendors paid from federal grant dollars may not be suspended or debarred from providing goods and services under terms of federal grants.

Condition

The University did not verify whether vendors who were paid federal dollars had been suspended or debarred.

Cause

University personnel administering federal grants were not aware of the prohibition against using suspended or debarred contractors.

Effect

There was no confirmation in grant files that the suspension/debarred status of vendors had been checked.

Context

A total of 42 disbursements from the Research and Development Cluster of programs representing \$218,562 of a total of \$936,211 were sampled. No payments to suspended or debarred contractors were noted, however.

Recommendation

University personnel administering federal grants should be trained regarding all general and specific requirements applicable to the programs they administer.

Maintenance of Grant Budget and Transfer Records

Criteria

Federal grants administration requires significant record keeping

Condition

In the course of my Single Audit, I noted several records, which while available on request, were not included in grant files.

Cause

Grant administrators rely on verbal instructions from grantors and principal investigators.

Effect

Grant files do not include written evidence that grants have been extended or that budgets have been amended by grantors. Files also do not include detailed, written explanations of why principal investors instruct personnel to move expenditures from one grant to another.

Context

A total of 42 disbursements from the Research and Development Cluster of programs representing \$218,562 of a total of \$936,211 were sampled. No payments to suspended or debarred contractors were noted, however.

Recommendation

Management should establish a policy requiring grant files to contain written evidence that grant periods have been expended and that budgets have been amended by grantors, and when principal investigators request transfers of expenses, the requests should be accompanied by written explanations.

Walda Wildman LLC

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STATUS OF PRIOR YEAR'S FINDINGS

September 12, 2006

Mr. Richard H. Gilbert, Jr., CPA
Deputy State Auditor
Office of the State Auditor
State of South Carolina
Columbia, South Carolina

During my audit of Coastal Carolina University's financial statements for the year ended June 30, 2005 no matters came to my attention on which I wish to comment.

Walda Wildman LLC

WALDA WILDMAN, LLC
Certified Public Accountant